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Ideas on Liberty

JULY 1978

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THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

The costs of Foundation projects and services are met through donations. Total expenses average $18.00 a year per person on the mailing list. Donations are invited in any amount. THE FREEMAN is available to any interested person in the United States for the asking. For foreign delivery, a donation is required sufficient to cover direct mailing cost of $5.00 a year.

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Additional copies, postpaid: 3 for $1.00; 10 or more, 25 cents each.

THE FREEMAN is available on microfilm from University Microfilms International, 300 North Zeeb Road, Ann Arbor, Mich. 48106.

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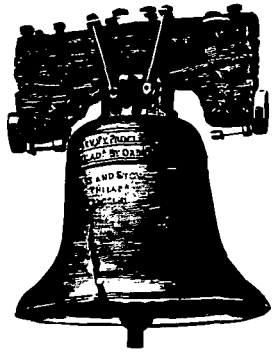
**Ralph Bradford**

# WE THE PEOPLE



WHEN our fathers put themselves to the task of devising a fundamental law for the brand new nation they had created, they displayed great unity of purpose and breadth of vision. They did not, in class-conscious fashion, ask, What can we do for the benefit of agriculture? Or, How can we help labor? Or, What will be best for industry? No, their sights were on an altogether different sort of target—and they expressed the essence of it in the first three words of the Constitution they were so carefully and laboriously drafting: "We, the people."

Today, at a time when we are beset on all sides by the demands of this and that special interest, it would be fine if the leaders and exponents of all such groups would take a minute to read the one short paragraph that forms the preamble to that Constitution.

In passing, it is of interest to note that in a period of rather florid rhetoric the Founders restrained themselves remarkably at the really crucial moments. The Declaration of Independence, to be sure, is not an example of such reticence; but then, it was really a public relations production—a propaganda document, designed to tell the world why a certain action had been taken. It was prepared out of "a decent respect for the opinions of mankind." It had to go into considerable detail.

But the "action paper," the thing that did the trick, was a little 47-word resolution introduced by Richard Henry Lee, which asserted quite simply that the American colonies were, and of right ought to be, free and independent states. And it was so with the Constitution. Of course many words were required to spell out all its articles and sections;

Mr. Bradford, of Ocala, Florida, is well known as a writer, poet, speaker, and business organization consultant.



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but when it came to setting down just what the basic law of the new nation was all about, the Founders laid it out fully in that one short paragraph.

They said it was to form a more perfect union; establish justice; insure domestic tranquility; provide for the common defense; promote the general welfare; and secure the blessings of liberty for themselves and their posterity.

That was it. That's what they said it was all about—and it ought to be required reading to offset somewhat the recurrent proposals for the addition of this or that million-dollar bureau to bring this or that alleged billion-dollar "benefit" to this or that group—or for the creation of this or that agency to regulate and control the minutiae of our lives.

And I now suddenly realize that the paragraph I have just written contains an example of the kind of compulsion I'm given to complaining about! Okay—so I will let it stand for that reason. Look: *"It ought to be required reading."* I know, I know—that's a common conversational stereotype, but its use illustrates the innate attitude toward compulsion that is at the root of supergovernmentalism. I think, or my particular elite group thinks, that the preamble is important—therefore everybody should be *required* to read it!

But to return to the Founders, in addition to being sure of their aims, they were very conscious of the source of their authority. When they set down a principle, or even a procedure, they knew who, ultimately, was speaking. It was "we, the people."

Of course the great issues of statism versus freedom were not posed to our colonial forebears in the explicit terms of privilege and preference such as we now hear. But the Founders were not ignorant of either history or human nature. They knew that a time would come when there would be demands for governmental favors, preferences, largesse; and they made no place for them, except inadvertently, perhaps, in the much-tortured general welfare clause; and the anticipated demands for such extensions of government were answered once for all by Jefferson's simple phrase: "The best governed are the least governed."

### The Growth of Bureaucracy

History shows that it is the seemingly ineradicable tendency of men to vacillate between the extremes of government—from Jeffersonian simplicity to the imagined benefits (and inevitable restrictions) of complete statism. It is not argued in these paragraphs that we can return to the simple governmental forms that sufficed for our colonial and agrarian periods. We are a vast and

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complicated aggregation of aims, interests, economic problems, political processes and social responsibilities. But through the years we have erected in Washington and throughout the states a bureaucratic monstrosity that is devouring our savings, crippling our economy, and stifling our initiative.

To some extent the cost and repressions of such overextension of government were felt in colonial times, and they aroused the anger of our sires, perhaps even more than the British denial of representative government had done. Jefferson himself was testy about it. As a philosophical statesman he was concerned about life, liberty and the pursuit of happiness; but as a taxpaying citizen he was both concerned and angered because the London bureaucracy had "sent hither a swarm of officers to harass our people and eat out their substance."

What does that sentence signify in terms of present-day American experience? Well, wholly apart from the several vast and ramified Departments of the Federal establishment—State, Commerce, Labor, Justice and so on—there are now sixty-one so-called Independent Agencies, plus seventy Boards, Committees and Commissions, that have been created by the Congress. I have no figures on the number of people employed in them, but it is of course very large; and for the government as a whole, not counting those in the several military services, there are now very close to three million people on the Federal payroll!

### A Costly Army

No question is here raised about the efficiency of those people, or their honesty and devotion. They are citizens, employed to do work projected by the Congress. But they *do,* "eat out our substance." They *do* cost money—millions, billions of it in the aggregate. And they do contribute to the accumulation of a debt that now exceeds the utterly incomprehensible figure of 600 *billion* dollars.

Who owes that debt, and must finally pay it, one way or another? The government? Not really. The ultimate debtor: We, the people!

But the materiality of such dollar-statistics is really not what I am reaching for. Rather, I am trying to express the proper relationship of the citizen to his government and vice versa; and that relationship is not expressible ideally in terms of dollars or the cost of bread. To be sure, man *does* live by bread and the nutrients it symbolizes—not alone, of course, for there is a higher nourishment; but food and shelter are important needs, and even our moments of purest philosophy and warmest philanthropy are influ-

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enced and modified by the shape and size—and cost!—of our physical and political environment. Pseudo social scientists who envision the Superstate as the Mother-Father image of the future seem happily unaware that a shattering blow can be dealt to both economic and political theorizing by such a crass bit of realism as the price of beans!

It is a far cry, from our present-day, Washington-centered politico-economic set up, back to the ideals of the Founders. It is the fashion these days in leftward circles to assume that the vast spate of so-called social legislation, and the resultant enormous cost and sprawling bureaucracy, is all in keeping with the "revolutionary" ideas of the men who wrote the Constitution. Especially during these past two or three years, when we were in a Bicentennial euphoria, we have heard a lot of cant about the "radicals" and "revolutionaries" who sparked the American War for Independence and devised the American form of government. A great deal of this maudlin output was either grossly overdrawn or flatly and ludicrously false.

What, after all, was the aim of those men who directed the American destinies for some years before, and during, that fateful summer of 1787 when the Constitution was being drafted? Certainly it was not "revolution" in the modern sense of the term. Indeed, that word does not occur in the Declaration of Independence; and so far as I can discover, it was little used in the literature and oratory of the period. Even Patrick Henry's impassioned plea was not for revolution, but for liberty. And when the term "revolution" was employed, it referred not so much to the act of separation from the mother country, as to the evolution of thinking among the American people—as when John Adams, years later, wrote that "the Revolution was in the minds and hearts of the people." No, the Founders were not aiming at revolution, but reason; they were not out to destroy, but to build.

They had reluctantly fought an unwanted war—a war which, judged either by logic or logistics, they hadn't a chance of winning. In that desperate gamble they were well served by the tenacity, cunning and superb generalship of the man from Mount Vernon, plus the wiles of Benjamin Franklin in luring France into the conflict. But now that was all past. Now they were on their own in the big world of nations. The makeshift, ramshackle machinery of the old Confederation, which had haltingly enabled them to ride out the war years, was a totally inadequate craft for the waters upon which they were now embarked.

They started out, first of all, with a healthy fear of the very institution they were charged with

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creating—namely, government. Recognizing the imperative need for it in the regulation of human affairs, they were nevertheless fully aware of its potential threat to the selfsame liberties it was designed to preserve. They were, for the most part, men of considerable scholarship, versed in history and familiar with the writings of social and political philosophers like Locke, Montesquieu, and Blackstone.

Moreover, Adam Smith's long-awaited *Wealth of Nations* had been published in 1776, and by the summer of 1787, when the Constitution was being hammered out in Philadelphia, the Scotchman's masterpiece had been widely read in America, as it had in England and on the Continent. The framers of the Constitution were almost certainly familiar with its major premises. They were not all paragons of wisdom and virtue. They could and did play politics, quarrel, impute motives, take advantage. Bitter wrangling developed between those who represented the smaller states like Delaware, Maryland and New Jersey and their opposite numbers from such big commonwealths as New York, Pennsylvania, Massachusetts and Virginia. In other words, they were a convention of men. But they were enlightened men; and with all their differences they were devotedly committed to the task of making a nation.

They knew first of all that government, of some kind, is necessary. The ideal thing would be for men to live together in harmony, without need of control or direction. Indeed, one of the delegates was soon to express this, in the so-called Federalist papers, published to win support for the Constitution. "If men were angels," he wrote, "no government would be necessary." And he went on: "In forming a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place, oblige it to control itself."

### Limited Government

But men, alas, are not angels; and even if they were, conflicts might arise—witness Lucifer's revolt, as chronicled at considerable length by John Milton. But let's not be facetious. Men being fallible creatures, we confront the simple fact that they need to be protected—first of all, from one another! Also the mechanics of their civilization, as they have matured through the centuries, layer by layer and culture by culture, on the several world stages—those mechanics, or rather mechanisms, require to be guarded, protected from abuse, and, to a minimal degree, regulated. Hence government.

Once in a whimsical moment I

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fabulated in verse the origin of one such civilizing mechanism. In my fable a primitive hunter, back from a wearying chase with a haunch of venison over his hairy shoulder, was downcast because he had shattered his last flint-head spear, and must spend much time and effort to fashion another. But his neighbor, a cripple who could not go afield to hunt, had several flint heads all chipped out—but no meat in his cave. So, in a great flash, it came to them that they could swap and each be the gainer. Thus trade was born; and I summarized its essence in two lines:

> Each gave the thing he least required,
> And gained the thing he most desired!

It was that simple principle, applied across the broad spectrum of man's physical needs, which developed into the socio-economic mechanisms that came to be known by such names as the division of labor, specialization, craftsmanship, industry, exchange, money—in short, the implements of trade, the Great Civilizer.

For it was not alone to physical comforts and necessities that the principle of exchange was applied beneficially. If it could enable the hunter, the fisherman, the tanner, the spinner, the weaver and a hundred other specialists to develop and ply their crafts through the trading of skill for skill as expressed in product, it could also make possible a like extension in things of the mind. It could and did lead to the development of science and art and literature. The great principle of exchange, like a shuttle in the loom of time, helped weave the fabric of civilization.

### Remove the Restrictions

By 1783 the American Colonies were, of course, heavily involved in all the ramifications of a commercial, industrial and agricultural economy. Under the restrictive British bureaucracy the rights of the Colonials in all these areas had often been impeded and at times ruthlessly restricted. Those charged with devising the new government were aware that the greatest possible spirit of individual enterprise and initiative should be encouraged—not by subsidy from public funds, nor by the relaxation of vigilance in upholding necessary laws, but by the removal or non-imposition of all unneeded restrictions.

They wanted, it seems clear, a government under which Americans could pursue their respective interests through peaceful production and exchange in the open market—buyers and sellers, producers and consumers, suppliers and customers, in a beneficial interchange.

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Freedom! That was what they were after; not just relief from whimsical bureaucratic restrictions, but freedom to make, produce, trade, sell, buy, invent, invest, build, save, spend—freedom, in short, to live the sort of life that is natural and normal to an industrious, inventive, adventurous and acquisitive people.

Acquisitive? Whoa there a minute! Better be careful here. Better tread softly. You see, to acquire is to get; and in certain over-delicate circles acquisition is equated with something like social piracy, as though "getting" anything is always done at someone else's expense. And indeed it sometimes may be done so—and that's where the State, represented by the Law, comes in. In a negative sense, that's what the State is for. But while Webster's says that to acquire is to gain "by any means," it adds, "usually by one's own exertions." And in that sense we have indeed been an acquisitive people—and three rousing cheers for it! Home ownership, competence, security, stability, industry, application, independence—these are at once the products and the motivation of acquisition. They are also the foundation stones of responsible government.

By creating a governmental environment favorable to personal initiative, the Founders laid the foundation for our greatness as a nation. Despite the drain of several wars—the long-felt burden of debt from the War for Independence itself, the ghastly toll of the Civil War, and the staggering outlays for the first and second World Wars—despite these colossal burdens, the nation grew, expanded and developed into the globe's greatest power. And at the same time it exceeded all others in the material welfare of its people.

The big question now is: Where do we, the people, go from here? No account has been taken in these paragraphs of our more recent performances on the world stage and in our domestic economy, nor of the added debt, bitterness and loss of prestige that have resulted. That is an article—a book, *a library!*—in itself.

The American problem today is not what we do about the world, but what we do about us, the people, and about us, the nation. Shall we resume our travels on a path of destiny—travels that have made us great and strong and useful in the world? Shall we rid ourselves of smothering debt through sufficient self-denial? Shall we once again be solvent as well as sovereign? Shall we halt the march to national bankruptcy? Shall we avoid the killing inflation that wipes out savings, destroys credit, and brings chaos?

If we do, who will benefit? If we do not, who will pay?

To both questions the answer is: We, the people. ⊕

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Gary North

# A Christian View of Labor Unions

WHY should we speak of a Christian view of labor unions? The best reason is that almost all Christians have some opinion on the place of work in the life of a Christian. Max Weber, the German social scientist, wrote an important book at the turn of the century, *The Protestant Ethic and the Spirit of Capitalism,* in which he argued that the idea of the calling—one's vocation—was a central feature in the attitudes of Protestant laymen who helped lay the foundations of modern production methods and organization. If the idea of work is central to the Christian tradition, and this tradition led to the creation of modern capitalism, then we ought to pay attention to a related topic, the labor union.

Labor unions are not the major part of the total American labor force, contrary to popular opinion. They are important in the large industries such as autos, steel, and television, but only about 25 per cent of the American labor force belongs to any union, and many of these are weak, rather insignificant organizations. As I hope to demonstrate, it is almost impossible for trade unionism ever to control over half of a nation's labor force in a democratic country, and where unions control more than this, labor mobility will be reduced markedly.

Do unions raise wages? Unquestionably they do. Do monopolies in business raise prices? Unquestionably they do. Labor unions raise

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Dr. North is editor of *Biblical Economics Today,* from which this article is reprinted by permission.

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wages in exactly the same way that a business monopoly raises prices: by artificially restricting the supply of a particular resource. Over the long run, with rare exceptions, no monopolist can keep prices raised in this fashion apart from direct government interference into the market. If the government keeps out competitors, then it is possible for monopolists to keep prices above what they would have been in a free market for years or even decades. In the case of diamonds, the DeBeers oligopoly has kept diamond prices up throughout the twentieth century, but it takes the collusion of the South African government to maintain this monopoly (or at least it took such collusion originally).

### Monopoly Pricing

The economics of monopoly pricing is the foundation of all modern trade unionism. This is either not understood by the supporters of trade unions, or else it is rejected as irrelevant. You will search your days in vain trying to find a supporter of trade unions who is also a supporter of business monopolies, yet the economics of each is identical. The labor union achieves higher than market wages for its members by excluding non-members from access to the competition for the available jobs. In other words, those who are excluded must seek employment in occupations that they regard as second-best. They bear the primary burden in the marketplace; they are the ones who pay the heaviest price for the higher than market wages enjoyed by those inside the union.

How can unions exclude outsiders from the bidding process? There are many ways, all used effectively by unions over the decades. First, there is raw power. They beat up their competitors. They throw paint bombs (paper bags filled with paint) at the homes of their competitors. They threaten the children of their competitors. Their children exclude the children of the competitors from social activities at school, meaning public (government) school. They shout "scab" from their picket lines. (Strange, isn't it, that those who defend labor unions seldom shout "scab" at Ford salesmen who are challenging the so-called monopoly of General Motors?)

Second, and most effective, trade unionists have been able to convince legislators to enact legislation that excludes non-union workers whenever 50 per cent plus one worker vote to choose a particular labor union as the sole bargaining agent in a plant or industry or profession. The skilled trades were the first to get state governments to pass such legislation, and immediately blacks in the South disappeared from the skilled trades. Then professional associations got such legislation passed, most nota-

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bly lawyers, physicians, and dentists. Then, in 1935, the Wagner Act was passed at the national level. It established the National Labor Relations Board (NLRB), a consistently pro-union bureaucratic Federal agency. As far as the favored unions are concerned, 75 per cent of all workers are potential "scabs," and the NLRB keeps them in their second-choice jobs.

There is a third, less evident, means of insuring labor union monopoly pricing. This is the minimum wage legislation. This legislation is always supported by trade union officials, whose members are always earning wages higher than the proposed minimum wage. This legislation sees to it that regions that have less developed unions, such as the South—in fact, primarily the South—cannot attract industry so easily from the more heavily unionized Northeast. The minimum wage was the primary means of warfare by unions against non-union workers after World War II until very recently. It still may be the primary weapon. The primary loser is, of course, the urban teenage male black, who cannot get into the Northern union, or migrate to the South, or offer services to employers that are worth the minimum wage.

Employers pay higher wages than the market would have dictated when their labor force is unionized. Of course, employers outside union domination pay lower wages, since they are not compelled by competitive market forces to bid away labor from unionized firms. Since 75 per cent or more of all workers are not in a union, they cannot gain legal access to the labor markets where 25 per cent of the workers are employed. They have to work elsewhere. Thus, non-unionized employers are granted a subsidy from government: lower priced workers.

When was the last time you heard a supporter of labor unions argue that the reason why unions are wonderful is because they grant a subsidy to the employers who employ 75 per cent of the American labor force? Yet this is precisely the economic effect of compulsory government-enforced trade unionism.

### The Law of Market Competition

"Buyers compete against other buyers. Sellers compete against other sellers." Not that difficult a concept, right? Apparently it is the most difficult concept in economics, if we are to judge by the arguments people use in favor of increased government intervention into the free market.

Buyers of labor services compete against other buyers and potential buyers of similar (substitutable) labor services. This means that employers are in constant competition

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against other employers in the labor markets. They are forced to bid up the price of labor until the point that they can no longer afford to hire any more laborers, or, in the case of the most successful bidder, until all the competition has dropped out of the field. This is the explanation for the curious phenomenon that labor unions subsidize non-unionized industries that are buying labor services from those excluded by law from competing for jobs in unionized industries. The buyers of labor in unionized industries have been compelled by law to depart from the "labor auction" in which 75 per cent of American workers are offering their services to the highest bidder.

On the other hand, sellers compete against sellers. This means that those who are harmed by trade unionism are those excluded from union membership. They are denied the right to compete for jobs in certain segments of the economy. They have been denied their right to bid, just as the employers in the unionized markets have been denied their right to bid.

The biblical view of man is work-oriented. It affirms that man was placed on the earth to subdue it to the glory of God (Gen. 1:28; 9:1-7). It is not each man's right to work. It is his *duty* to work. What is his lawful right is his right to compete for the job he wants, his right to compete for the labor services he wishes to purchase. No one has a right to my job, including me. Anyone should have the right to compete for my job, including me. And I have the right to compete for his.

### Strikes

The striker argues that he has the right not to work, but his employer does not have the right to hire someone to replace him. Modern compulsory trade unionism is based on the wholly immoral premise that the worker owns his job (can exclude others from the position) even though he refuses to work for his employer. To add insult to immorality, most trade unionists also want government food stamps, unemployment benefits (tax-free), and other forms of taxpayer-financed benefits while they are striking. The consumer is supposed to finance his own funeral, and the coercion of law then becomes total.

Obviously, nobody inside the union could reap monopoly wages if everyone were in the union who wanted to compete for the available jobs. The union would then become superfluous. It is only because of the artificial barriers set up against other workers that the union members reap their monopoly gains. This is the reason why, economically speaking, the trade union movement in its present, coercive form will never be more than a minority movement. The union needs the ma-

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jority of workers outside the union movement, since the union membership has to have victims among the working class in order to reap its monopoly returns.

Once a man's contract has expired, he should have the right to walk off the job if he wants to. He should not have the right to keep his employer from hiring a replacement. Similarly, any employer should have the right to fire a worker, once the contract has expired. But he should not have the right to exclude that worker from competing in other labor markets. Trade unions deny both these premises.

Voluntary unionism is lawful, so long as the civil government does not do more than enforce the contracts agreed to by employers and laborers. A union can help to spread information of better wages or better jobs, thereby helping its members to keep alert to the true value of the services they are offering for sale. Unions can be self-help societies. But when compulsory, under coercive civil law, they are immoral. They must be recognized as such by orthodox Christians. ⊕

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For further reading, see Prof. Sylvester Petro's many books, including *Labor Policy of the Free Society, Power Unlimited: The Corruption of Union Leadership, The Kohler Strike,* and *The Kingsport Strike.* Also of interest: W. H. Hutt, *The Strike-Threat System.*

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IDEAS ON LIBERTY

**Let the Market Decide**

IF YOU BELIEVE that the state should not intervene in dealings between employers and employees, then that means not only no Wagner Acts, but no right-to-work laws and no administrative review of wage settlements as well. Yet we seem to be headed for ever more intervention by the state in dealings between employers and employees, in the internal affairs of unions, and in the wage-price relationships in industry. Having created our Frankenstein, we are now going to break him to our will.

In the process the state is almost certain to undertake to dictate decisions about matters that should be left to the market place, and to create authoritarian patterns of action that will be degrading and debilitating to employers and employees alike.

BENJAMIN A. ROGGE, "The Labor Monopoly"

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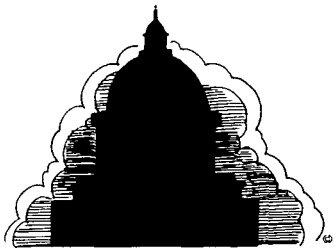
Brian Summers



# WHAT GOVERNMENT OFFICIALS CANNOT KNOW

As GOVERNMENT grows ever larger, it is perhaps wise to ask if there are limits to the knowledge of government officials. If there are limits, and if government has grown beyond these limits, then government officials are intervening in matters of which they are necessarily ignorant—can have no knowledge.

Let us concentrate on a basic form of ignorance familiar to all: ignorance of what other people are thinking. In particular, consider what a government official can and cannot learn about the preferences, expectations, and plans of his fellow men. Using our results, we can sketch some areas in which government officials cannot know what they are doing.

Mr. Summers is a member of the staff of The Foundation for Economic Education.

What can be learned about another person's preferences? Suppose we see Mr. Smith buy rye bread for one dollar. This tells us that at the time of the purchase he valued the rye bread more than the dollar. If there was pumpernickel on the next shelf, and if we assume that he noticed it, we can also conclude that at the time of the purchase he preferred rye bread over pumpernickel.

But will he prefer rye bread to a dollar tomorrow? What about his tastes in other goods? How about all his other preferences? And did he really notice the pumpernickel?

To find out, we can ask. But what a person says he would prefer in a given situation is often different from what he actually prefers when the time comes to choose. There are several reasons for this. First, a per-



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son's preferences may change between the time he is questioned and the time he faces a given choice. Second, when a person faces a situation he may find that it is different from what he had imagined it would be when he was questioned. In addition, he may not completely understand the questions, be in a rush to complete the questioning, give less than truthful answers, or simply have no idea of what he would prefer at some later date.

Thus, the only way to be sure of a person's preferences is to observe his choices. And even then we can only learn a person's past preferences, because the next time he might choose differently.

Suppose now that, instead of having the dollar available to buy rye bread, Mr. Smith had paid the dollar in taxes. Then we can never know what Smith would have done with the dollar, had he been free to use it as he saw fit. If the government gives the dollar to Mr. Jones, we can, of course, observe what Jones does with it and thus learn something about his preferences. But, because Smith no longer has the dollar, we can never learn the use he would have preferred.

Thus a government official, in redistributing wealth, cannot know how the taxpayers would have preferred to use the money they paid in taxes.

But doesn't the government, in redistributing wealth, help poor Mr. Jones more than it harms rich Mr. Smith? That is, doesn't the redistribution cost Mr. Smith less than it benefits Mr. Jones?

## No Way to Know

We have seen that a dollar has gone from Smith to Jones. How much did this dollar benefit Mr. Jones? We can observe what he does with it, but what does that tell us? If he spends it for eggs, we know that at the time of the purchase he valued the dollar less than the eggs. But this tells us nothing about the value he placed on the dollar compared with the value Mr. Smith placed on the dollar. In fact, because Smith no longer has the dollar, we cannot even learn what he would have done with it. Smith himself may not even know, because who knows what he will ultimately do with every dollar?

Thus, there is no way to know if the redistribution of wealth benefited Jones more than it cost Smith. In fact, there is no way to know if any government intervention yields benefits which are greater than the costs.

This is because costs and benefits cannot be measured. In our example, the redistribution cost Mr. Smith whatever he would have done with the dollar. There is no way to measure how much he valued this lost opportunity. In fact, the value he placed on the dollar probably

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changed over time—as his income changed, prices changed, and other circumstances changed. Similarly, the value Mr. Jones placed on the dollar, and thus the benefit he acquired in receiving it, also probably changed over time.

If a government official cannot know how much an intervention costs one individual and how much it benefits another individual, he certainly cannot add unknown costs and benefits to find "social costs" and "social benefits." Costs and benefits have meaning only to individuals and can be known only by the individuals directly involved. In particular, we cannot assume that a "uniform" intervention, such as a uniform tax of $1000, imposes the same costs on every person, because we don't know the value each person places on $1000—nor can we assume that these values are constant. Similarly, if everyone must wait half an hour to buy price-controlled gas, we cannot assume that waiting imposes equal costs on every person.

Consider, for instance, the costs of a volunteer army versus the costs of a conscripted army. It is often assumed that because a volunteer army requires higher military pay than a conscripted army, that a volunteer army "costs" more.

This is an unwarranted assumption. We cannot know the true costs of the higher taxes needed to attract volunteers because we cannot measure the value each taxpayer places on the money he pays in taxes. In addition, we cannot know the costs that conscription imposes on draftees. We can assume that draftees would rather be civilians, otherwise they would have volunteered. But no one can measure the value each draftee places on a return to civilian life. In short, there is no way to compare the costs borne by taxpayers versus the costs borne by draftees.

### Cost-Benefit Analysis

Conscription is an example of the error in trying to place a dollar figure on the costs and benefits of government intervention. "Cost-benefit analysis" cannot be used to justify government intervention because no one can measure the true costs and benefits.

In fact, cost-benefit analysis can be used to argue against all intervention. If someone wants something enough to bear the costs, he will voluntarily take appropriate action. If he believes that the benefits do not exceed the costs, he will abstain from such action. Government intervention tries to force people to bear costs that, as those people see it, exceed the corresponding benefits.

Public goods are another example of intervention based on ignorance. It is argued that government must provide services such as welfare, parks, public schools, public hous-

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ing, and public television because, although "everybody wants them," no one is willing to pay for them except if all his neighbors are taxed to help pay the bill.

This is a peculiar line of thought. We are told that people want something, though they won't voluntarily pay for it! Not only is this absurd, it assumes that the proponents of public goods know how people would use their money if it didn't go for taxes. As we saw earlier, the only way to know how a person prefers to use his money is to stand back and let him use it.

Antitrust is another area where government is intervening in ignorance. At the root of antitrust legislation is the assumption that, under certain conditions, a firm can raise its asking prices, sell less, and make more money than if it sold more items at lower prices.

In theory, this may occur. But no one knows if it actually happens or when it happens.

Suppose, for instance, that National Motors is the only manufacturer of a unique sports car and produces a limited supply which all sell at a "high" price. Did they make more money than if they manufactured more of these cars and sold them all at lower prices?

No one knows. We know that each buyer, at the time of purchase, preferred the sports car over the money it cost him. But we don't know how many people would have bought such a car at a lower price. That is, we don't know how many sports cars could have been sold at lower prices so we don't know if National Motors made more money selling its limited-edition at "high" prices. No one knows if National Motors reaped "monopoly gains."

### Measuring Expectations

Let us now consider what can be learned about another person's expectations. Although observing a person's actions yields limited information about his preferences, it tells us nothing definite about his expectations. The most we can say is that a person is acting "as if" he expects something. A man carrying an umbrella may be acting as if he expects rain, but he may just be returning it to a friend. The problems involved in asking about preferences carry over to asking about expectations, with a new twist—asking about a person's expectations may change his expectations.

For example, a temporary investment tax credit may be used to try to stimulate investment. The first time such a tax credit is introduced it might come as a surprise and produce the desired results. But if the stimulant is used again and again, businessmen may learn that a lagging economy is likely to be followed by a tax cut. If they expect a tax cut, they will tend to postpone

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investment until after the tax credit is enacted. Thus, the expectation of a tax credit may reduce, rather than stimulate, investment. And clearly, if a government official asks a businessman if he expects a tax cut, the businessman may suspect that one is forthcoming.

A similar situation occurs with price controls. If businessmen expect price controls, they may prepare for them by raising their list prices and offering discounts, free delivery, better guarantees, and other improved terms of sale. When the controls arrive, and the government continues to inflate the quantity of money, the improved terms of sale will tend to disappear. Thus, the anticipation of price controls may increase, rather than decrease, list prices.

The lack of knowledge of expectations is especially evident in monetary policy—the government's tampering with money and credit.

For several decades, Keynesian economists have told us that the cure for unemployment is for the government to inflate the quantity of money so as to keep ahead of union wage increases—based on the assumption that union leaders would not anticipate inflation. But, as years have passed, it is clear that unions have learned to anticipate inflation and now demand raises plus cost of living clauses. Governmental ignorance of personal expectations has been an important factor in producing our current high rates of inflation and unemployment—which according to Keynesians should not occur together.

## Controlled Inflation

The Monetarists prescribe another form of monetary intervention—that the government inflate the quantity of money at a fixed rate so that everyone could better anticipate changes in the "price level." In this way, it is held, economic booms and busts could be avoided.

But, changes in the "price level" are not the cause of booms and busts. Rather, booms and busts are the result of government manipulation of money and credit.

For example, suppose the government tries to stimulate the X industry by pumping in money and credit. This creates a boom in the X industry, as prices tend to rise in that industry, and natural resources, labor, and capital goods are drawn into it. But the increased bidding for natural resources, labor, and capital goods causes their prices to rise and the X industry experiences increased costs. The increased costs spell the end of the boom, and if the government doesn't continue pumping money into the X industry at a faster rate than is generally anticipated, costs catch up with prices and the X industry suffers a depression.

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Clearly, the situation is only worsened if the government tries to stimulate more than one industry—or the entire economy.

Thus, it is unanticipated injections of new money at specific points in the economy that create booms, and unanticipated increases in costs that end the booms. To avoid these booms and busts it is not sufficient to inflate the quantity of money at a fixed rate so that people could supposedly better anticipate changes in the "price level." Rather, booms and busts can be avoided in an interventionist economy only if everyone correctly anticipates where the new money will be injected, when it will be injected at each particular point, and how the prices of specific factors of production will react—clearly an impossible task. The only way to end economic booms and busts is to end government tampering with money and credit.

In sum, unavoidable ignorance of expectations can make a shambles of government attempts to quarterback the economy.

### Other People's Plans

Let us finally consider what can be learned about another person's plans. As with preferences and expectations, asking a person yields nothing definite about his constantly changing plans. The most we can say is that a person is acting "as if" he has certain plans. But even this yields nothing definite. If we see someone cutting down a tree, are we to conclude that he is doing it to clear a field, for firewood, for logs to build a cabin, to sell to a sawmill, or just for the exercise? Or is it for a combination of reasons? We can continue watching and see what he does after the tree is felled, but what he does after is not necessarily what he planned to do before.

Having no certain knowledge of other people's plans, a government official cannot know how an intervention changes their plans. In particular, he cannot know what plans they would have carried out were it not for the intervention. For instance, no one knows how entrepreneurs would carry letters were it not for the government's postal monopoly.

Other examples abound. For instance, we know that an increase in the minimum wage is a disincentive to employ workers with low productivity. But no one knows how many people would have planned to hire workers were it not for the minimum wage. The minimum wage disemploys workers, but no one knows how many—so no one can defend the minimum wage because he "knows" the resulting number of unemployed will be small.

Similarly for all other interventions. We know that unions tend to scare labor and capital from certain industries, but no one knows how

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much. Rent control scares away new housing, but no one knows how much. Social Security reduces the means and incentive to prepare for retirement by making productive investments, but no one knows how much investment is lost. And on and on. Government officials have no way to measure the damage caused by interventions because no one can measure how interventions change people's plans.

Having shown how the limits of knowledge can be used to argue against government intervention, a few words should be said about the absence of intervention—the free market. In the free market, prices are determined by the preferences, expectations, and plans of everyone in the market. Thus, although we still possess very little direct knowledge of the preferences, expectations, and plans of others, market prices convey them to us indirectly in highly condensed form. For instance, consumer preferences are expressed in the selling prices of consumers goods, expectations are expressed in stock market prices and futures prices, and entrepreneurs' plans are expressed in the prices of capital goods. If a businessman acts in harmony with these preferences, expectations, and plans, he earns profits; otherwise he suffers losses. Thus, the free market profit and loss system tends to coordinate businessmen's decisions with the preferences, expectations, and plans of their fellow men.

When government intervenes in the market, prices are distorted and thus no longer convey the preferences, expectations, and plans of others. When government completely controls the economy, "prices" lose their meaning, and we are governed by ignorance. ⊕

**Individualism**

IDEAS ON LIBERTY

WHAT INDIVIDUALISM TEACHES us is that society is greater than the individual only in so far as it is free. In so far as it is controlled or directed, it is limited to the powers of the individual minds which control or direct it. If the presumption of the modern mind, which will not respect anything that is not consciously controlled by individual reason, does not learn in time where to stop, we may, as Edmund Burke warned us, "be well assured that everything about us will dwindle by degrees, until at length our concerns are shrunk to the dimensions of our minds."

F. A. HAYEK, *Individualism and Economic Order*

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Hans F. Sennholz

# The Future Is Purchased Today

THERE is something thrilling and exalting in the thought of the future. It elevates human nature and makes man happier and better. The present does not satisfy; man reaches out to the future with its intimation of eternity and immortality.

Man does not have a knowledge of things to come. And yet, his blindness to the future does not deter him from preparing for it. Standing firm in the world of daily tasks, he is making preparations in all his aspirations, be they religious, cultural, social, or economic.

In the sphere of business all future-oriented activity is often called "speculation." The businessman who is building a plant or store speculates on future business conditions that will hopefully permit him to retrieve his investment. The merchant who places a purchase order for future delivery speculates on future demand for his merchandise. Even the young physician who chooses to settle in a certain community to build his practice speculates on the economic future of his community and the demand for his services. They all lack the knowledge of things to come, but are hopeful that future changes and developments will reward their present decisions. And they all are taking various measures of risk that flows from the uncertainty of the future.

And yet, all such future-oriented activity has come under a dark cloud

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of suspicion. It is more popular to live in the present for instant gratification of wants and desires. Public policy promises benefits and services *now*—even at the expense of the future. He who steadfastly keeps his eyes on the future faces censure and condemnation as a "speculator." In a strange twist of terminology the "now-generation" questions his motivation and denounces him as a "self-centered," "greedy" monster seeking profits from changes. Countless laws and regulations aim to seize his rewards and restrain him from searching for the future.

The conflict is as old as man himself. It arose on his first day on earth when he became aware of tomorrow. Was he to allocate his labors to the urgent needs of the moment or to the demands of tomorrow? The answer to this question provides an important explanation of wealth and poverty. Present-oriented societies linger in perpetual poverty always living from hand to mouth, while future-oriented societies soon prosper and multiply. It also gives rise to great differences in individual income and wealth, which in turn breed envy and covetousness and bring forth countless schemes and policies toward a new redistribution. It makes the successful entrepreneur a favorite target of envy to present-oriented individuals who fail to comprehend entrepreneurial and speculative activity. Preoccupied with the present, and chronically poor and always unprepared, they tend to suspect all those individuals who differ in outlook and life-style.

Speculation also upsets those politicians and officials who would like to guide and direct society. They are eager to direct the destiny of all, which they call "central planning." When some individuals shape their own plans and act independently of the central planners, it is "selfish speculation," "unplanned," "atomistic," "harmful," and "chaotic." When central planning fails dismally and inflicts great harm on countless victims, the blame is laid invariably on "speculators." When the stock market crashes and economic depression seizes the country, the speculators caused it. When the U.S. dollar falls in purchasing power and sinks to lower levels in world money markets, the speculators sold it. When central planning creates an energy crisis, the political planners denounce the speculators and impose more stringent controls on individual initiative. In fact, the speculator is depicted as the personification of all human vices and failings.

Such diatribes merely reveal the great schism that separates the two conceivable systems of economic and social organization: the private property order with its individual

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freedoms, and the command system with its political coercion in many aspects of social life. Man always must choose between these two modes of organization. For long periods of time he chose the command system under such labels as feudalism, mercantilism, fascism, socialism, or communism. But occasionally Western man chose to be free and independent, unconfined by political limitations and controls. The history of the United States provides a splendid example of such an order.

The free order is also a future-oriented order inasmuch as it permits its members to save and invest for a better future. It liberates man from ancient restraints and limitations that shackle his initiative and creative energy. In a free society the future takes the deepest root, and is most discernible, in the plans and aspirations of the great entrepreneurs and geniuses of enterprise. Through their actions and provisions for the future they greatly affect the daily lives of their fellowmen. Their names and exploits are familiar to most Americans. John D. Rockefeller, Andrew Carnegie, J. P. Morgan, and Henry Ford were dramatic leaders, bold and original, with visions of change and a better future. Under their leadership and that of many other exceptional men the U.S. had become the most productive country on earth by 1893, and American wage rates and standards of living soared to the highest levels in human history shortly before World War I.

And yet, these men have become important symbols of an economic order that stands condemned in the eyes of many of our contemporaries. Textbook writers utilize them to illustrate personal greed and lust for power that allegedly characterizes the period of "unbridled capitalism." Contemporary literature censures them for the poverty and misery of their workers from whom the great fortunes allegedly were taken.

We need not dwell here on the great achievements of those exceptional men who affected the economic lives of so many Americans. Nor need we analyze the motive powers that drove those men to such performance. Their motives probably did not differ from those of most other men in other ages and places. But we need to be mindful that their very appearance presupposed a climate of individual freedom that is so rare in human history. Surely, they were "unbridled" with political edicts and controls, confiscatory taxation and regulation, and many other manifestations of the command order. They were left free to try and experiment, to save and invest for a greater future. No matter what we may think of them as individuals, we must ad-

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mire the society that set them free and let them pass unencumbered by the strictures of envy and the demands of the moment.

Present-day Americans would never tolerate the exceptional man who creates new industries on the ruins of old production. There can be no Henry Ford in the present climate of our political economy. Under the influence of ancient ideologies modern man is suspicious of individual freedom that gives rise to economic inequality. He uses his political apparatus of coercion to maintain and restore some measure of equality. His tax collectors seek to extract the lion's share of "unearned" individual income and wealth. And his numerous officials in a host of regulatory agencies seek to restore equality and provide equal opportunity through stringent supervision and control.

Under the influence of old suspicions and prejudices modern man prefers to rely on political action rather than on voluntary cooperation. In the command order every individual is a wheel in a giant political machine and every sphere of his social life is politicized. And even where modern man has retained some democratic institutions, politics plays an important role in his life. Parliaments, which were originally set up to limit the profligacy of the rulers, are incurring huge expenditures on behalf of the electorate. To be the favorite of an envious multitude, a politician must be on their level. He must desire what they desire, yield to their prejudices and substitute them for principles. Instead of enlightening their errors, he must adopt them. As a political leader he merely furnishes the sophistry that will defend and propagate those errors.

When he must choose between the needs of the moment and the demands of tomorrow, modern man opts for instant gratification of his wants and desires. He wants social benefits and services *now* through political redistribution and transfer. He preys on the richer members of his society, and when such revenues no longer satisfy him, he embarks upon massive deficit spending. That is, he consumes the savings of his more provident members. And finally, when their means no longer suffice to meet his insatiable demands for present benefits, he may consume his economic substance. In economic parlance, he may consume his productive capital, which previous generations created and left for him, and thus diminish the apparatus of production at the expense of future generations.

The future is purchased today. We have a number of choices. But all sales are final. ⊕

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**The key to the survival of civilization is human liberty. When our liberty is gone—whether because some aggressor takes it from us by force, or because we ourselves willingly vote it away—civilized man will die.**

# SURVIVAL OF THE SPECIES

**Ben Moreell**

WHEN Charles Darwin's book, *On The Origin of Species,* appeared in 1859 it was strongly condemned by those who believed that his theory of evolution contradicted the thesis that man is a creature of God. But now that Darwin's theory has been amended and corrected it is generally accepted that evolution is not a contradiction of God's designs for mankind.

Today I want to discuss with you not the *origin* of species, but the *survival* of species; and I want to discuss this subject in terms of faith in my fellow man, which stems from a faith in God. I might have chosen a shorter title—a single word—liberty. For I believe that the key to the survival of civilization is human liberty. When our liberty is gone—whether because some aggressor takes it from us by force, or because we ourselves willingly vote it away—civilized man will die. Men will become robots, machines without minds, controlled and driven by godless masters.

I believe that God intended men to

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Well worth reviewing is Admiral Moreell's address before the National Association of Purchasing Agents at Cleveland, Ohio, June 13, 1950.

He was then Chairman of the Board and President of Jones & Laughlin Steel Corporation. As Chief of Civil Engineers of the Navy, he was noted for the incredible exploits of his Navy Construction Battalions, the Seabees, during World War II.



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be free to make their own decisions and to be responsible for the consequences of those decisions. Thus it seems to me that it is an act against God for men to pass laws which destroy individual liberty; which deprive persons of the responsibility for their own acts or for their own welfare. Such laws are advocated by persons who lack faith in God and in their fellow men!

It seems to me that there is convincing evidence to support my beliefs on this subject. And the basic evidence is found in the fact that no person is physically or mentally or morally identical to any other person. For example, everyone knows that the fingerprints of all persons are different. And these differences—these individualities, these inequalities—carry through all the physical, mental, and moral characteristics of mankind. It seems to me that if we have faith in God, we must realize that He had a purpose in designing us so that no person is like any other person; that is to say, so that each person is an individual. Let us examine this God-given individuality of men and speculate upon its relationship to liberty and responsibility and survival.

### The Right to Choose

It must be obvious that liberty necessarily means freedom to choose foolishly as well as wisely; freedom to choose evil as well as good; freedom to enjoy the rewards of good judgment, and freedom to suffer the penalties of bad judgment. If this is not true, the word "freedom" has no meaning. Yet there are persons in America who wish to pass laws to force people to do only "good," or at least their concept of what is good.

These would-be dictators are not content with a preventive law which punishes a person who deliberately chooses to injure his neighbor; a law which prevents any person from forcing his viewpoint upon any other person; a law which penalizes the person who interferes with the liberty of others. On the contrary, these persons who arrogate to themselves the functions of God demand a *positive* law to compel others to do as they wish them to do. And—for some reason which I cannot understand—these same people use the words "liberty" and "democracy" to justify their plans to deprive other men of freedom.

These proposed laws are frequently justified on the ground that there are physical and mental inequalities in the world; that those inequalities result in economic inequalities; and that the primary function of government is to pass laws that will tend to equalize such inequalities. Is not this concept of government a rather brazen indictment of God? Is not this an acceptance of the communistic

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theory of using force to take "from each according to his abilities" and to give "to each according to his needs"? It is true that no two persons are equal; and that some persons receive more pay for their services than do other persons. But my faith in God makes me insist that there is a logical and good reason for this fact.

### The Source of Progress

This inequality among persons is a law of nature, a law which is just as unchangeable and just as necessary to understand as is any other natural law, as, for example, the law of gravity. This particular law is known as the "law of variation"; and from the unrestricted operation of this law of nature comes all human progress.

The law of variation permits children to be different from their parents. It permits brothers to think differently and to act differently. It permits the existence of both misers and philanthropists; saints and sin-

### Variation and Change

The "higher" the form of life or of non-life composition, the more complex its variation and the more rapid the expected change that follows from crossing two of them. As the complexity increases, the "offspring" become less and less predictable. In chemistry, for instance, combinations of the different basic elements can result in innumerable compounds; possible mixtures of different possible compounds, in turn, magnifies beyond our capacity for comprehension the number of possible results. It is similar for the complex living organisms, like persons, where differences combine in the biological process into innumerable and wide differences. That is why persons differ so widely in their capacity to do different things, to comprehend different things, or to contribute to progress.

Out of this change comes "progress." And the greater the variation, the more rapid the progress can be. It makes no difference, so far as the opportunity for progress is concerned, whether the change is induced by the Unseen Hand of evolution, or by conscious choice as in the selection of a mate, or by learning from someone who is more informed, or by simply patterning one's acts after those who know better how to do a thing. **F. A. HARPER,** *Liberty: A Path to Its Recovery*

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ners; rich and poor. It permits inventors to invent, managers to manage—and purchasing agents to purchase. It permits each person to seek a job or profession which is most suited to his inherent talents and his desires. It encourages a voluntary division of labor, with resulting maximum efficiency and greater prosperity for all.

Without this variation—this unequalness—our social structure would be similar to that of an anthill or a beehive, where each member is born to do a certain predetermined job which he does with blind allegiance to his society and with no consideration of personal interests or preferences.

Unfortunately there are many persons in the world who hate variations and inequalities, who admire the type of society developed by the ants and bees. These people see that variation among human beings has allowed one person to produce more than another, with resulting differences in material possessions and comforts. And then these self-appointed supervisors of human destiny, who cannot tolerate variation, begin to agitate for a law to take away from the high producer and give to the low producer. They want to use the force of government to repeal the law of variation; to redesign mankind; to force their concepts of morality and economics on all other persons.

### Master Minds at Work

In this process they deny to every person the right to dispose of the products of his own labor as *he* chooses. On the contrary, it must be as *they,* the "master minds," decree! These so-called "do-gooders" and "benevolent" legislators deny this right of choice to the producer because they fear that other people will spend their earnings in a pattern different from that which they would plan for them. They have no faith in the voluntary decisions of free persons!

For example, the person who earns the money might want to endow a college or a hospital or a summer camp for poor children; but the planner wants to take the money away from him and use it to subsidize "cheap" electricity for the people who live in Tennessee or in the Pacific Northwest.

The person with a good income might want to spend some of his money for a trip around the world, but the planner calls this "social inequality," and he proposes a law whereby the government may take the individual's money, by force, and use it for some so-called "socially useful" purpose like encouraging the growth of surplus potatoes, for which there is no market, in order that they may be destroyed.

Or the planner may propose to deprive the producer of his money and apply it to some alleged "social

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good" like government ownership of housing, or a government steel plant, or government-controlled education, or some similar project which gives to government the power to tell the people what they must or must not do; how they must or must not live.

### Enemies of Liberty

I am willing to concede that the do-gooder may have the best intentions in the world. But it cannot be denied that the laws he proposes always involve more government, more government ownership and operation of the means of production, more government interferences in the distribution of what individuals have produced, more power for government and less freedom of choice for individuals.

I hold that the people who advocate these positive laws against freedom of choice are—knowingly or unknowingly—the enemies of freedom and progress. They themselves have lost all faith in liberty and in the ability of free persons to care for themselves and voluntarily to extend a helping hand to their neighbors in need. Thus they band together to advocate laws antagonistic to humanity; laws which restrain liberty, thwart variation, belie inequalities, and defy God's design!

Against the background of my many years of service in the Navy, I make this declaration: I do not fear the Russian Army, or the atom bomb, or the hydrogen bomb, nearly so much as I fear this concept of using the law to relieve individuals of the responsibility for their own welfare and to deprive them of their freedom of choice. We can all see the danger of a military threat to our freedom. If we are attacked we will fight, and we will win! But few of us appear to understand this insidious process whereby we use our own laws and our own government to destroy our own liberties just as surely as if some foreign conqueror had power over us.

Here is an example of how we are deceiving ourselves: Let us suppose that some foreign power could confiscate the incomes of persons in America; and let us suppose, further, that this foreign power were to confiscate 89 per cent of the income of our most efficient producer. Would this producer continue to produce abundantly under such circumstances, or would he not soon relax and begin producing only enough to subsist himself and those dependent upon him? This situation is easy enough to understand when we visualize the confiscator as a foreigner. But we do not seem to understand it when the confiscator is a combination of fellow citizens. For we ourselves have voted to confiscate 89 per cent of the income of our best producers!

When will this confiscation of an

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individual's income rise to 100 per cent? Do you believe that ambitious men who are hungry for power would stop short of this complete communism if, by going on, they could achieve their aims? Let us consider this question: Just how much liberty does a person *really* have when more than half of his earnings are taken from him without his consent and are spent for purposes distasteful to him?

### The End of the Road as Liberties Slip Away

It makes one wonder whether we are deliberately trying to destroy ourselves. All along this course our liberties begin to slip away from us. In the beginning this happens slowly and almost unnoticed. The "emergency" and "temporary" restrictions and compulsions by government are not generally recognized as lost liberties. But the end result of this procedure—a procedure that always comes neatly wrapped in the American flag and labeled "social justice"—is complete government control, complete loss of liberty, and the extinction of civilized man as we know him.

Why should this confiscation—a percentage of our production that even a conqueror would not dare to take—be called liberty? Why should the word "freedom" be used to describe these government compulsions and restrictions? Certainly the founders of this republic had no such concept of freedom.

Now I know that those who disagree with me will say that this is a democracy and that we can vote for anything we please; that, in fact, we can vote to turn all industry and all income over to the government, if we so desire.

That is true; but consider this: It is also true that we could vote to re-establish slavery in America. Would that make slavery "right" or "democratic"? We could democratically vote to have a state religion and to force everyone to conform to the majority decision; but that would make a mockery of democracy and the right to vote. We can democratically vote to print enough money to give every person a million dollars; but would such exercise of the franchise help anyone except those who wish to destroy America?

All these measures—and others of a similar nature—could be enacted legally and democratically under the concept of majority rule. But would any person be so foolish as to say that they *should* be enacted? Will any thinking person say that a law is "right" merely because a majority has voted for it? *We must always remember that our Constitution was designed to protect the freedom of the smallest possible minority—one person—against the demands of the greatest possible majority—all other persons com-*

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*bined.* That single idea of inalienable rights of the individual person is—or, at least, was—the fundamental spirit of the American tradition of government. And if we lose that concept of government, by force or by our own votes, the American dream of liberty will be ended.

I am very glad that we have a form of government that requires voting, because so long as this condition exists, there is nothing to prevent us from voting against these immoral laws that are leading the American people into bondage to their own government. It is still possible to turn back; and it is not yet too late to turn back. If we really want to face the responsibility, to pay the price, of a return to freedom, we can still have it.

### How to Destroy Progress

Let us speculate on the price which we must pay for liberty. First and foremost, all so-called "welfare" schemes must go; for dependence upon government will destroy progress and production in two ways: First, the high producers will not continue to do their best if most of the product of their labor is taken from them. Second, the low producers will not be eager to work harder if they know that government will guarantee to them the security of housing, food, medical care, old age benefits, and the other necessities of life. If we continue along this path to the misnamed "welfare state," we must soon find ourselves in the position of our Reservation Indians, who have had a system of government-guaranteed "security" for the past hundred years.

The inevitable result of such "security"—to the Indians or to any other people who try it—is dramatically told in a report from R. J. Rushdoony, a former missionary to the Indians on one of our American reservations:

> One of the surest consequences of a government of "welfare" and "security" is the rapid decline and death of responsibility and character.
>
> Whatever the pre-reservation Indian was, and his faults were real, he was able to take care of himself and had a character becoming to his culture and religion. He was a responsible person. Today he is far from that. The wretched security he has had, beginning with the food and clothing dole of early years, designed to enforce the reservation system and destroy Indian resistance, has sapped him of character. The average Indian knows that he can gamble and drink away his earnings and still be sure that his house and land will remain his own, and with his hunting rights, he can always eke out some kind of existence.
>
> Government men too often hamper and impede the man with initiative and character. This is because their program inevitably must be formulated in terms of the lowest common denominator, the weakest Indian. In addition, the provisions of the government for the "welfare" and "security" of the Indians remove the

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consequences from their sinning and irresponsibility. The result is a license to irresponsibility, which all the touted government projects cannot counteract.

And I believe the results would be no better for the best hundred or thousand persons selected from any society, after a generation or so of the same kind of "welfare" and "security" government. . . .

## Slavery in America

Let us look at another example from our own history. Here is a statement from an article called *Wards of the Government* by Dean Russell:

The constitutions of former American slave states generally specified that the masters must provide their slaves with adequate housing, food, medical care, and old-age benefits. The Mississippi Constitution contained this additional sentence:

> "The legislature shall have no power to pass laws for the emancipation of slaves. . . . (except) where the slave shall have rendered the State some distinguished service;"

The highest honor that Mississippi could offer a man for distinguished service to his country was personal responsibility for his own welfare! His reward was freedom to find his own job and to have his own earnings, freedom to be responsible for his own medical care, freedom to save for his own old age. In short, his reward was the individual opportunities—and the personal responsibilities—that have always distinguished a free man from a dependent.

What higher honor can any government offer?

But many present-day Americans are trying to avoid this personal responsibility that is freedom. They are voting for men who promise to install a system of compulsory, government-guaranteed "security"—a partial return to the old slave laws of Georgia that guaranteed to all slaves "the right to food and raiment, to kind attention when sick, to maintenance in old age. . . ." And the arguments used to defend this present-day trend toward the bondage of a Welfare State are essentially the same arguments that were formerly used to defend the bondage of outright slavery.

For example, many of the slaveholders claimed that they knew what was "best for the slaves." After all, hadn't the masters "rescued" the slaves from a life of savagery? The advocates of government-guaranteed "security" also claim that they know what is best for the people. Many of them argue in this fashion: "After all, haven't the American people conclusively shown that they are incapable of handling the responsibility for their own welfare?"

Many of the slave-holders sincerely believed that the "dumb, ignorant slaves" would starve to death unless their welfare was guaranteed by the masters. And the advocates of compulsory "security" frequently say: "Are you in favor of letting people starve?"

But as proof of the fact that personal responsibility for one's own welfare brings increased material well-being, consider the emancipated slaves. Among them there were old and crippled and sick people. They had no homes, no jobs, and little education. But—most precious of all—the former slaves were responsible for their own welfare. They were free.

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They had the privilege of finding their own security.

Now compare the remarkable progress of those former slaves to the lack of progress of the American Indians who were made wards of the government; who were given state-guaranteed "security" instead of freedom with responsibility. In 1862, most American Negroes were slaves. Today they are about as self-supporting and responsible as other American citizens. Meanwhile the Indians as a group have become less self-supporting and more dependent on government aid. It has been claimed that many thousands of Indians will actually die of starvation unless the government feeds them. If this is true, why is it so? . . .

### How to Destroy a Person

To those two reports on the results of government-guaranteed "security" I desire to add this thought: If I should want to destroy you, I would try to relieve you of the responsibility for your own welfare and to make you dependent upon me for food, clothing, housing, medical care, and the other necessities of life. After a few years of such dependence you would be helpless, subject to my every command—in effect, a slave.

But in spite of the two cases I have noted above, and many similar ones which can be cited from the long record of history, there are well-intentioned but misinformed persons who still insist that unless government supports its citizens they will be ill-clothed, ill-housed, and ill-fed. This belief is often expressed by the question: "Would you let them starve?"

Do the people who utter such nonsense understand the meaning of their proposals? In effect they are saying that a free person in a free society cannot support himself; that a free American cannot or will not support his own family; that free Americans will permit their less fortunate neighbors to starve; that our American doctors will not aid a sick person who has no money; that persons with freedom of choice will choose to let homeless people sleep in the streets; that a free people will reject their responsibilities to their fellow men; and that we have renounced Christ's commandments on love and charity.

I refuse to concede that we Americans have sunk so low. If we have, then liberty is dead, and we are taking part in its interment. If we cannot and will not accept the responsibilities of liberty and a voluntary society of free men, then indeed is civilized man at the end of his rope. If I had any thought that this is the case, I would not be speaking to you today. For I believe that we Americans want liberty, and that we are willing and able to pay the price for it.

### The Price of Liberty

This price which we must pay is the abolition of *all* special laws for

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*all* special groups and interests. Subsidies to businessmen as well as to farmers must stop. Special privileges and preferences for able-bodied veterans must be ended. There must be an end to special laws which exempt labor groups from the consequences of their actions. The special tax privileges for producer and consumer cooperatives must be repealed, or extended to all corporate business. The law which gives tenants special treatment at the expense of home owners must be abolished.

Whatever the sacrifice, our government must live within its income; and the amount of that income which is taken from the people must be drastically reduced. We must abolish all privileges and ask of government the only equality which can possibly exist—equality before the law. In short, we must demand that government confine itself to the primary functions of protecting the life, liberty, and property of the individual—all individuals. Then each person will be free to do as he pleases so long as he does not interfere with the right of any other person to do as *he* pleases. Then each person will enjoy as much equality and security as it is possible for him to have in a world of admitted inequality and insecurity.

I am aware that this price for liberty may seem high to some people. I know that those groups and persons who now enjoy those special privileges will do all in their power to keep them—and to extend them. Even so, I have faith that the vast majority of the American people want liberty and are willing to accept the personal responsibility which liberty requires. I believe that the only requirement for the return to liberty is an understanding of what it is. I believe that we will understand it and that we will then return to it. I have this faith in my fellow Americans because I believe they will know that upon liberty—*and upon liberty alone*—depends the survival of the species! ⊕

"Survival of the Species" is from a two-volume paper-backed collection of Admiral Moreell's speeches and articles—*The Admiral's Log*—timely, yet timeless commentaries dedicated to restoring and preserving freedom. The set is available for $1.00 from The Foundation for Economic Education, Irvington-on-Hudson, New York 10533.

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Harry C. Knickerbocker, Jr.

# The Mystery of Inflation

RECENTLY, as I read the Sunday edition of a major metropolitan newspaper, I counted nine columnists whose subject of the day included explanations of inflation. The only clear-cut fact that emerged from this scatter shot of expert opinion was a common failure to deal with the cause of inflation. Rather, they were talking about price increases.

This confuses cause and effect and ignores the fact that some responses to inflation do *not* include price increases—in fact, in some instances, prices actually decline. Reductions in production costs arising out of new technologies can alleviate—and conceal—the fact that inflation is under way. Other concealments can include producers' reduction in the quality and/or size of their goods or services, reduction of consumer demand with resultant suppression of price increases, and a myriad of other variables and unknowns.

A tool for measuring inflation's effects may never be available and, despite a certain usefulness that such measurements might have, to seek such a tool implies acceptance of inflation as a *natural* phenomenon—something to be measured, harnessed and put to proper use. With recognition that this conception of inflation is fallacious can come the realization that the objective is not to use it, but to eliminate it; not to quantify it, but to be able to detect its presence. Indispensable to the achievement of these objectives is a clear, accurate grasp of the real

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nature of inflation, its origins and its cause.

Inflation consists of enlarging a nation's money supply by the addition of something other than real money, i.e., something other than the money metals, gold and silver. It became possible to make such additions in substantial quantities with the introduction, acceptance and use of paper money.

### Money Substitutes

Paper "money"—and, of substantially less significance, token coins—is the only money that most of us have ever known. It came into use as a *substitute* for real money that had been placed in storage for safekeeping. Originally, bank notes were warehouse receipts for stored gold, and checks were written orders from owners of the gold instructing warehousemen to pay specific amounts of gold to the persons named in the orders.

Confident that one another's receipts were readily redeemable for gold, traders quickly found that transacting business with money substitutes was more convenient than using gold—which would have to be withdrawn from storage by the buyer and then redeposited by the seller. From the outset, most depositors left their gold in storage and paid for purchases with either receipts or checks.

Confidence and convenience notwithstanding, it was only in the role of substitute that paper currency could gain acceptance among traders to perform the functions of real money. For these paper substitutes had not progressed through the barter process which gives a commodity the capacity to function as money.

Barter, the exchange system characteristic of primitive societies, imposes severe limitations on its participants. Each has to try to match his wants with things wanted by other producers. As in the traditional example, the community's wheat grower might want candles at a time when the candlemaker wanted cloth, the weaver wanted shoes, the cobbler wanted a hat, the hatter wanted beaver skins, the trapper wanted pork, and so on. For any two traders simultaneously to want exactly what each other offered and to be satisfied with the amounts each was to give and get in exchange would be very unlikely. To get the candles he needed, the wheat farmer might have to make a series of less than satisfactory trades to obtain cloth to offer the candlemaker. Meanwhile, the market's other traders would be experiencing the same difficulties.

As such a process—crude, time consuming and inefficient—laboriously plods along, one commodity is likely to emerge as easier to trade than other goods. As it does, it gains an additional value. It is demanded

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not only for its commodity value but for its usefulness as a medium of exchange. Gradually, all producers seek to trade their wares for this commodity because, with it, they can trade *directly* for *any* item they want.

As this commodity becomes exchangeable for any good offered in the market, exchange rates are established between it and each of the other goods. These rates are, of course, *prices,* and the ability to express prices is the identifying property of money.

This is the only way that money can *originate*. Any attempt to originate money by arbitrarily designating officially approved certificates (or any other items) as the medium of exchange would fail. Being offered for trade *as a commodity* is the inescapable starting point from which an item must begin enroute to becoming the easiest-to-trade commodity.

Although real money must originate as a commodity, the ability to function as money can be transferred to money substitutes. Transfer of the money function from stored gold to subsidiary coins, checks and deposit receipts represented a refinement, a further streamlining of the exchange process. Unfortunately, inherent in the refinement was an opportunity for misuse with disastrous consequences.

## Fractional Reserves

With the use of substitutes enjoying such strong acceptance among traders, the amount of gold that continued to circulate—to be withdrawn and redeposited—was never more than a fraction of the total in storage. Noticing that the value of receipts presented for redemption consistently amounted to only a fraction of the deposited gold, some warehousemen conceived of an innovative scheme for creating a new business. They wrote receipts for several times as much gold as actually was stored in their vaults. Then with the "extra" receipts, the imaginative warehousemen went into the lending business.

This created claims for several times the amount of gold deposited, but warehousemen expected no problems because the extra receipts were simply on loan and would be returned when borrowers' notes came due. The lenders failed to realize that the extra receipts in the market would set in motion a process that would make a money crisis inevitable.

The net effect of issuing receipts for amounts of gold several times the actual deposits was tantamount to a sudden, miraculous multiplication of the amount of gold without cost or effort. At first, this would create an illusion of instant, unlimited prosperity. Business would boom, but the illusion would quickly

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fade because the purchasing power of gold—its value in relation to other goods and services—would plummet. And, so it was with the flood of "extra" receipts.

Members of the community endured the frustration of rising prices until someone remembered one price that couldn't rise. Each receipt stated a *fixed* amount of gold payable to the bearer on demand.

The ensuing rush to withdraw gold (a frequent necessity which eventually became known as a "run" on the bank) confronted the warehousemen-bankers with an insoluble dilemma: they could not demand payment of borrowers' notes until the future dates specified in the notes. On the other hand, the bankers' warehouse receipts were *demand* "notes." Receipt holders could demand immediate payment of their gold. Only a fraction of the receipts could be redeemed. The *fractional reserve* banks had no hope of meeting their obligations.

Given the clearly fraudulent nature of lending claims to nonexistent property, it is reasonable to expect that the practice was outlawed. Historically, however, when depositors have tried to protect themselves from the fractional reserve method of theft—when depositors have presented their receipts and demanded their gold—governments have usually granted the banks immunity from their obligations and from retribution. Eventually, governments and their central banks (Federal Reserve System in the U.S.) assumed control of the issuance of unbacked notes.

Persistently refusing to acknowledge the fallacious nature of fractional reserve banking's basic premise, governments and their experts have derived a succession of modifications each of which has been expected to make the system "work." Among the most basic of these was the forcible demonetization of gold and the establishment of government sanctioned paper money as the exclusive medium of exchange.

### Outlawing Gold

Gold's function as money was halted in the U.S. in 1933 when Americans were prohibited from owning the money metal and from requiring payment of obligations in gold. Federal Reserve Notes were designated as "legal tender." By denying the freedom to choose gold in preference to inflatable fractional reserve money, government clearly stood ready to prevent note holders from protecting themselves from inflation's theft.

From the fractional reserve banking point of view, the prohibitions and restrictions have been very successful. By 1975, when Americans' right to own gold had been restored, and by 1977 when it again became legal to specify payment of obliga-

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tions in gold, decades of enforced disuse had long since divested gold of its ability to express prices.

Passage of the Gold Clause Bill (P.L. 95-147) in late October, 1977 permits lenders to specify either "legal tender" or gold for repayment of their loans. This gives gold some chance to regain its money function, but in circumstances much different than the barter conditions in which it initially achieved status as the most easily traded commodity.

For gold, remonetization means competing with what was once its substitute but is now the established, accepted medium of exchange. As shaky, unreliable, and disaster-prone as fractional reserve money is, it is still open to question whether or not Americans will be willing to take the trouble to reinstate gold. The decision is likely to be influenced by our perception of the harm that inflation is doing. In this regard, it may be useful to observe certain important distinctions.

Production of gold money requires an investment, an input of actual, real, existent resources. The resultant money is equally real and constitutes value *added to* existing values. To be sure, as with any commodity, overproduction of the money metal could diminish its value vis-a-vis other goods and services; but the consequent losses to the producer would quickly terminate or curtail production. Owners of gold would have no fear of seeing the value—the purchasing power—of their medium of exchange swept away in a limitless flood of gold.

In sharp contrast, production of fractional reserve money requires little more than making a bookkeeping entry crediting a borrower with an agreed upon sum and issuing a deposit receipt in this amount. Where in one instant there had been nothing—literally—in the next instant there is "money." Whereas production of gold money added value to the economy, money created out of thin air acquires its value by *taking* it from existing values without giving anything in exchange.

Today, all production of additional money is inflation. The "Fed" (Federal Reserve) has several ways of increasing the money stock, each of which creates money out of thin air. When the powers of government determine that more money should be spent than can be collected in taxes (more than taxpayers will tolerate), government simply borrows nonexistent money from the Fed.

As it is spent, the new money flows into deposits in commercial banks. There it becomes the fractional reserve for a much larger amount of money created out of nothingness by virtually the same loan scheme devised by the original warehousemen-bankers.

That, in brief, is inflation. ⊕

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# World in the Grip of an Idea

Clarence B. Carson

## 19. The United States: The Concentration of Power

POLITICS, it has been said, is the art of compromise. But compromise is not the object of politics; it is only a method. The end of politics is to gain and maintain control over the instruments of power over people. Politics is, then, the art of the struggle for power, any kind of power, but above all the power residing in government. There are other ways of gaining political power, of course. The most common way, historically, has been to inherit it. Another way has been by conquest. The *coup d'etat* has also been used, but this usually involves some combination of the methods mentioned earlier. But in modern day democracies, the approved way of gaining and maintaining power is by politics. That is certainly the case in the United States.

The primary task of those who wished to introduce socialism in the United States was to get control of political power. There were a considerable variety of such socialists in the latter part of the nineteenth century. There were anarchists, syndicalists, Marxists, nationalists, unionists, and other sorts of social-

In this series, Dr. Carson examines the connection between ideology and the revolutions of our time and traces the impact on several major countries and the spread of the ideas and practices around the world.



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ists. They made what political splash they made, at the outset, with inflationist schemes of one sort or another. In the early twentieth century, the Socialist Party, under the leadership of Eugene Debs, emerged and gained considerable following as a minor party until the end of World War I. It continued to exist thereafter but ceased to grow. Indeed, it went into a decline from which it has never recovered. The Communist Party, under the leadership of William Z. Foster and others, had even less political success.

But even before the 1920's many of those who were inclined toward socialism had concluded that they could not attain power in America by professing to be socialists. Most Americans simply would not buy the package of socialism when it was wrapped in that way. The best way to move toward socialism would be by way of the established political parties and by gaining footholds in governmental and other institutions. There was no need to call particular programs socialistic and to describe their adoption as a movement toward socialism. In fact, it would be counterproductive to do so. Much better to advance them as cures for particular problems and as made necessary by changing conditions. The Fabians in England had pointed the way, and the American socialists modified their tactics to fit their own conditions.

## A Surreptitious Movement

The movement toward socialism in the United States has been surreptitious, even sneaky, and infiltrative in character. Even so, it has not been directed by some master plan conceived by some planner, or planners. Nor has it been advanced, by and large, by a conspiracy. It would be easier to understand if there were a master plan and a well-organized conspiracy. But the evidence does not warrant the drawing of any such conclusion. A conspiracy is, after all, an agreement between two or more people to do something illegal. Whereas, the distinctive feature of gradualist socialism is that it will achieve its goals legally. (Communists have, of course, often engaged in illegal acts, been under the control of foreign powers, and been parts of conspiracies. However, communism is an adjacent movement to the main thrust toward socialism in America and has never been in control of it.)

Moreover, the movement toward socialism is not done by a plan in the United States. It is not a plan but a method. There is an objective: It is to gain control of political power and transform America. The method is to employ those means which, at any given time, give the greatest promise of producing the desired results. This method is called pragmatism, and its practitioners pride themselves on their lack of

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commitment to any overall plan or strategy. Pragmatists feel their way toward their objective, thrusting through at weak spots and turning aside when resistance becomes so great as to threaten failure.

Though the goal of the gradualist socialist movement in America is power—political power—, it is not, as such, a political movement. It is, at bottom, an intellectual movement, a movement aimed at controlling what men think, or at the least establishing a subtle authority over what men say. Those who persist in thinking of it as a political movement will ever have difficulty in grasping how it could maintain a coherent direction without a master plan and planners. Once it is understood as a set of ideas, an ideology, this difficulty disappears. The coherent direction derives from the ideology.

Anyone who is to any extent under the sway of the ideology can perceive which proposals for the use of government power are most in keeping with it. Those who do not subscribe to the ideology are disciplined by denying them the advantages that stem from adherence to the prevailing ideology. It requires no conspiracy to carry out the punishment or ostracism; it does require the concurrence of true believers in the ideology. In addition to the concurrence of true believers, the thrust toward socialism is accomplished in America by the desire of many to be in keeping with what they believe to be intellectual fashion or their fear of flouting it.

A great deal more could be said on this head, but only so much need be said as will put at naught the notion that what follows is an account of action by an organized conspiracy. Viewed in retrospect, the thrust toward socialism in America—or, for that matter, in the world—may appear to follow a pattern, a pattern such as events have when they are planned and directed by some body of men. This pattern arises from two sources: one, there is a direction, of sorts, to the course of development; two, the historian organizes them for the telling so that the events have a greater coherence than they had in reality. At any rate, what follows is an effort to explain how the thrust toward socialism gained momentum and power over the American people.

## Powers Dispersed

The United States government was deliberately designed to thwart the efforts of any one man or group of men from gaining any continuing control over it. To that end, the powers of the federal government were separated into three branches, as were those of the states. Further, the powers of government were dispersed by granting certain powers to the general government and reserv-

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ing others to the states. In addition, some powers have been specifically denied to the general government and others to the states. Some of the other safeguards against the concentration of power were: staggering the terms of Senators so that only one-third of the Senate is to be elected at any one time, having Congressmen elected for two-year terms and the President for four, and providing for an appointed judiciary. The states have generally dispersed their powers by having them exercised by municipalities, counties, and other local governments. All these arrangements tended both to prevent the concentration of power and its use by any faction for its own purposes.

Anyone conversant with developments in government in the twentieth century knows that these obstacles to concentrating power and its regular use by a faction—a faction under the sway of the idea that has the world in its grip—have been largely overcome or circumvented. How it has come about does, however, need to be explained. It has not come about, not to any significant extent, by amendments to the United States Constitution. The separation of powers among the branches still formally exists. The reserve of powers to the states has been only slightly altered by amendment. The constitutional protections of life, liberty, and property can still be found stated in the cadences of eighteenth-century rhetoric. But much of the substance has been drained away while the forms still stand.

In the broadest terms, here is what has happened. Power in the United States is today concentrated where it is least subject to popular control and most amenable to manipulation by intellectuals and intellectual fashion. More specifically, it is concentrated in the executive branch, the courts, and the bureaucracy. Preceding and accompanying this has been the concentration of power in the federal government. The federal government is the most amenable of governments to ideological influence brought to bear by the press, national magazines, television, book publishers, and other media of communication. In a similar fashion, the executive branch, the courts, and the bureaucracy are readily swayed by these ideological influences.

### Lack of Popular Control Over Federal Government

Vast political power is exercised today by those in the federal government over whom there is little or no popular control. This state of affairs came about gradually over the better part of a century. Indeed, in the case of the Federal courts the potential was there from the beginning. Federal judges were always

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appointed by the President subject to the approval of the Senate. Their tenure in office is for life or during good behavior. But the "good behavior" requirement early became largely a dead letter because of the failure of Congress to persist with impeachments. Thus, the courts have ever had but a tangential relation to popular control.

This was by design, of course. The idea was that the judiciary should be independent, independent of politics so as to make their determinations according to law. This was a noble concept and was reasonably workable so long as judges believed themselves to be bound by the Constitution, by precedent, and by reason. But a subtle change began to occur in the latter part of the nineteenth century. Legal realism, as it is sometimes called, began to replace the concept of fixed and immutable laws. What was the law began to be thought of as something that was changing, relative, and subject to continual mutation. This set the stage for a judiciary that was not only independent of politics but independent also of the received law. To an amazing extent, the Supreme Court became a law unto itself, upsetting and ignoring precedent and ruling by pronouncements which were considered binding upon the lower courts.

Popular control over the bureaucracy declined as Civil Service reform made headway. The idea of having a body of civil servants who would be professionals free from the shifting political tides had broad appeal in the latter part of the nineteenth century. It got much impetus from the fact that President James A. Garfield was assassinated by a disappointed job seeker. Thereafter, a tenured civil service began to be created. Over the years, more and more employees came under it.

### Tenured Civil Service

Having a tenured civil service did not matter so much as long as the sway and activities of the federal government were limited. But in the twentieth century, as the federal government intervened in more and more matters and began to touch and control the lives of Americans in an ever greater variety of ways, the effect of having an independent and tenured civil service became something else again. So far as the bureaucracy was the government, they were controlling the lives of people but were themselves subject to very little popular (political?) control.

Another significant development in cutting government loose from popular control and concentrating power was in the authorization of independent commissions. The Interstate Commerce Commission was the first of these bodies. It was created in 1887 and given limited

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powers over the railroads but has since had its powers greatly augmented and extended over other forms of transportation. It has since been joined by a goodly number of other such organizations, among them the Federal Reserve Board, the Federal Power Commission, the Civil Aeronautics Board, and others.

Only a tenuous control over these organizations is maintained by the elective branches of the government. They are authorized by Congress, their members approved by the Senate after nomination by the President, and after that they proceed more or less on their own. Generally, they combine in single bodies powers of government that were separated by the United States Constitution. That is, they legislate—create a body of administrative law by their decisions; execute—carry into effect their rulings; and adjudicate—hold hearings and make decisions which often have the effect of law.

Not only do these independent commissions concentrate powers within the federal government but they also have tended to claim large new powers for the federal government. By way of them, the federal government exercises extensive powers over transportation, electricity, money and banking, basic fuels, and labor relations. Nowadays, by way of their sway over energy and the environment, the federal government reaches through to the most basic undertakings of Americans.

## Presidential Power

The growth of power vested in a bureaucracy was long paralleled by and even was an augmentation of presidential power. Presidential power began to dominate the other branches during the administrations of Theodore Roosevelt and Woodrow Wilson. It became preeminent during the three terms plus a fraction of another of Franklin D. Roosevelt. These Presidents proceeded to dominate the legislative branches by setting forth programs—described respectively as the Square Deal, New Freedom, and New Deal—which they undertook to push through Congress. Once these programs were enacted into legislation, the executive branch was usually given many new powers and more extensive ones.

After the death of Franklin Roosevelt, three Democratic Presidents—Truman, Kennedy, and Johnson—attempted to advance similar broad programs under the rubrics of the Fair Deal, the New Frontier, and the Great Society. Truman, however, faced increasing opposition to his programs, and Kennedy was assassinated before he managed to translate much of his program into legislation. (In fact, until the media transformed Ken-

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nedy into a folk hero following his assassination, he had made little mark on government.) In the wake of Kennedy's assassination, President Johnson was able to get a multitude of laws passed, though there have been no prophets to proclaim that the Great Society emerged from it. But before he had served out the term to which he was elected on his own Johnson had become so unpopular, at least among radical elements, that he grew fearful of making public appearances and declined to run again.

It is now possible to conclude that following World War II the tide began to turn against presidential power. Democratic Presidents, the main architects of the surge of presidential power, were repeatedly drawn into actions which placed them at odds with some of the most vocal of their constituents in the intellectual community. As Woodrow Wilson had written long before he came to the presidency, the major constitutional opening for the increase of presidential power is in foreign affairs. Nor can it be doubted that Presidents reached the peak of their hold on power during wars.

After World War II, the United States was confronted with expansive communist powers, became embroiled in a Cold War with them, and there were two hot wars, Korea and Vietnam. Anti-communism, however, was not popular with many Democrats, and particularly not with intellectuals. Moreover, those Americans who were anti-communists were hardly inclined to support Presidents who conducted lukewarm and increasingly limited wars in Korea and Vietnam. In consequence, Presidents were unable to rally many members of their own party behind them and alienated much of the rest of the populace by their conduct of the wars.

There have been many indications that the tide has begun to run against presidential power. There was, of course, a Constitutional amendment, the 22nd, ratified in 1951, limiting Presidents to two terms. There have been congressional efforts to restrain Presidents in foreign engagements. There were the weakened positions of both Truman and Johnson in their last years as President. There was the forced resignation of Vice-President Agnew and the even more dramatic resignation of President Nixon under the threat of imminent impeachment. The attacks on the FBI and CIA, and subsequent limitations placed on them, have had the effect of limiting the President. Moreover, President Carter was the first Democrat elected to the office in the twentieth century who did not run on the basis of some program name such as New Deal, Fair Deal, or the like. Nor has Carter thus far succeeded in getting much of his

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proposed legislation through Congress.

None of this should be interpreted to mean that there has been any lessening in the trend toward concentration of power in the general government. On the contrary, that has gone on at an accelerated pace even as presidential power was being restrained. While Johnson was being made virtually impotent by critics of the Vietnamese War, the Department of Health, Education and Welfare was expanding its powers into more and more fields. Even as Nixon was approaching disgrace, the Environmental Protection Agency and OSHA were extending their reach into every nook and cranny of America. Vast grants made from the federal government to states and cities during Nixon's presidency concentrated decision-making power in Washington and continued the process of making state and local governments administrative arms of the federal government.

Rather, the relative decline in presidential power should be interpreted as a further decrease in popular control over this vast government with its concentration of power. The executive branch, i.e., the bureaucracy, increases in power as the powers of the Chief Executive decline. The Congress, historically the branch over which there has been the most direct popular control, does not, and cannot, exercise effective control over the bureaucracy and the independent commissions. Congress has failed for several decades now to restrain the judiciary, though there are ways it could do so. Presidents exercise only the most tenuous control over the bureaucracy.

### How Bureaucracy Functions

The determinative role of bureaucracy is well described in this story which appeared in the Atlanta *Constitution,* March 26, 1978:

> Almost nobody has heard of Joe Sherman, a $47,500-a-year federal civil servant. He commutes quietly to Washington every morning from a modest brick home in suburban Alexandria, Va. His work is seldom noticed by the press or the public.
>
> But Joe Sherman may have an enormous impact on the everyday lives of Americans for years, even generations, to come. . . .
>
> Sherman and his staff at the Department of Housing and Urban Development are devising energy standards for building construction that are likely to alter the appearance, shape, or inner workings of every office building, hospital, school, factory, and private home in the United States after February 1981.
>
> The process is much like that by which thousands of other small but important decisions are made throughout the government. The decisions influence the type of food that people eat, the clothes they wear, the kinds of loans they get, the construction of the cars they drive.

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The process is usually followed very closely by the specialists with a financial and a professional stake, but the public mostly learns little until it comes time to pay the bill, use the product and learn to live—and maybe suffer—with the results. . . .

This is the story of how one law is being carried out. It began in 1976 when Congress passed the Energy Conservation Act. A little-noticed provision, heavily influenced by lobbyists for architects, ordered the administration to draw up "performance standards for new residential and commercial buildings which are designed to achieve the maximum practical improvements in energy efficiency and increases in the uses of nondepletable sources of energy."

Congress often leaves laws vague like that and allows the bureaucracy to work out the details. It is people like Joe Sherman who must figure out just what Congress meant by "maximum practical."

The standards, which are expected to be incorporated into building codes all over the country, will for the first time require that all buildings be designed to meet an "energy budget"—that is, they should be built to operate without using more than a specific amount of energy per square foot of space, depending on the purpose of the building and the climate where it is situated.

The vast accretion of governmental power involved in this should not go unnoticed, either.

The Department of Health, Education and Welfare may be most correctly conceived as a sort of independent kingdom or fiefdom set up within the bounds of the United States and being charged with or assuming authority over some of the most sensitive areas of American life. When it was founded during Eisenhower's presidency it brought together a hodge-podge of bureaus which theretofore had modest pretensions. Its activities and sway burgeoned with the spurt of legislation during the first two years of the Johnson administration. Congress and Presidents might have conducted diplomatic relations with it during most of its lifetime if they could have discovered who, if anyone, was in charge of it.

If the bureaucracy, the independent commissions, and the courts—the organs of the concentrated power of the federal government—are not under the effective control of the elected representatives of the American people, who does control them? One way to answer the question is to say that nobody does. And that answer is correct so far as it goes. The President does have some little residual power over them; the Congress does have potential power; and pressure groups do sometimes modify their actions. But nobody controls or directs them in the ordinary conduct of their doings. Yet it would be incorrect to suppose that each bureaucrat or commissioner or judge simply decides his course of action, letting his conscience be his

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guide, and doing as he will. It may sometimes happen, but it is not characteristic.

As indicated earlier, the bureaucracy, the commissions, and the courts are ruled, by and large, by intellectual fashion. It is not usually called fashion; more commonly it has been thought of as the *zeitgeist*, spirit of the times, intellectual milieu, or reigning ideology. These latter terms and phrases may be more precise or comprehensive, but "fashion" captures better the way in which the ideas work on individuals and groups.

### The Ebb and Flow of Fashions

Intellectual fashion changes even as do fashions in women's clothes. One year it is environmentalism, another consumerism, another the eradication of poverty, another the menace of big business, another investigative journalism aimed at purifying politics, and so on. These intellectual fashions appear, decline, virtually disappear, and recur much as do fashions in men's jackets, say. Just as padded shoulders in jackets become fashionable, then not, then again, so do fashions in prevailing ideas; the abolition of poverty was prominent in the 1890's, 1930's, and 1960's. The purification of politics was a major theme in the early twentieth century and then again in the 1970's.

Intellectual fashion is determined in much the same manner as fashions in clothes. Just as there are leading clothes designers, so there are leaders in setting forth what becomes intellectual fashion. For intellectual fashion, there have been such thinkers as John Kenneth Galbraith, Ralph Nader, Michael Harrington, and the like. Just as among clothes designers, there is competition for whose notions will prevail among intellectuals. And just as in clothes design, the more radical ideas are for the *Haute Coterie*. Beneath these, those who conform to the fashion do so in less drastic and, hence, more popular formulations.

Underlying and supporting this shifting intellectual fashion is an ideology which does not change. Ideology informs the continuing thrust to change, providing its direction and substance. What is in fashion at the moment is the leading wedge of the drive toward transformation. American intellectuals and politicians generally pride themselves on their pragmatism, but they are pragmatic only in changing emphases with the fashions.

Control over American government and increasingly over the lives of Americans is exercised by intellectual fashion and the underlying ideology. It is thus that the United States has been brought under the sway of the idea that has the world in its grip. This was made possible by the concentration of power in the

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central government and its further concentration in those areas of government most remote from popular control. More and more people vote, but they have less and less control over the government and their own affairs and lives.

### The Concentration of Power

The greater the concentration of power the more readily can it be manipulated by intellectual fashion under the subtle control of ideology. It is easier to influence one man than several, to influence the President, say, than the nine justices of the Supreme Court. In like manner, the Supreme Court may be more readily influenced than can 100 Senators, and the Senate more readily than the House of Representatives. It should be equally clear that one general government can be swayed more easily than can fifty state governments.

Influence may not be the right word; what often develops may be more correctly understood as pressure. Leaders of intellectual fashion exert pressure on government, exert pressure until they get action quite often. Some examples may make the process clearer. In the 1960's, Ralph Nader wrote a book entitled *Unsafe at Any Speed*. He charged that American auto makers were turning out unsafe cars, failing to incorporate features that would save lives, and thus making auto travel precarious. In consequence of his charges a campaign to change all this emerged, laws were passed, and in the course of time various safety devices became mandatory for all automobiles. The impetus from this and similar works provoked two much broader campaigns: consumerism in general and safety requirements by governments in general. Hence, a Federal Office of Consumer Affairs was authorized, and most states followed suit with their own offices or bureaus. Also, the federal government set up an Occupational Safety and Health Administration (OSHA) which began to promulgate thousands of rules and restrictions affecting the safety of workers. As for the governmental intrusion into the automobile business, a newspaper reports that more vehicles were recalled because of defects in 1977 than were sold in that year.

Some years back, the late Rachel Carson came out with a book entitled *Silent Spring*. This was the intellectual opening for the environmentalist campaign which got underway in the late 1960's. Environmentalism swiftly became *the* fashionable cause, horror stories spread of how we were destroying the environment with chemicals, threatening the oxygen supply, making the air poisonous to breathe, the water hazardous to drink, and making our surroundings desolate.

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Protective legislation was, of course, forthcoming, and a new branch of the bureaucracy was created to see to the well-being of the environment.

Where does this pressure come from? It comes from those who deal in one way or another with ideas, with opinion making and the spread of ideas, those in the grip of the idea of transforming man and his universe. They are mostly intellectuals, or have intellectual pretensions: they are professors, students, teachers in general, journalists, writers, preachers, publicists, and what have you. How do they exert the pressure? They do so by the holding of key positions in the media of communication and by their success in purveying the approved attitudes. Mere Presidents must be continually wary of them, lest a thoughtless word will ruin their chances for re-election. Generals who voice unapproved attitudes are likely to be hounded out of the service, denied promotions, or buried in some administrative office in the Pentagon. Judges who hope for promotion must take care that they have never harbored opinions, or at least spoken or acted upon them, which will bring them to the unfavorable attention of media spokesmen.

There are numerous examples of what horrendous things can happen to those who provoke the wrath of media spokesmen, but no more dramatic one has yet occurred than that of the resignation of President Nixon in the wake of Watergate charges and revelations.

Ordinarily, however, the power of intellectual fashion directed by those under the sway of the idea that has the world in its grip is not demonstrated by the destruction of men in high places. It evinces itself, rather, in the day to day pressures on politicians and others to take approved positions and advance their enactments. It makes certain courses of action unthinkable and those that are approved largely unquestioned. It is a subtle and effective tyranny over thought. The concentrated power of government is wielded by those who dare not oppose this intellectual fashion. There are enough victims strewn along the wayside to serve as cautionary examples for those who consider any other course.

The power of government is wielded both directly and indirectly. We are all aware, more or less, of how control over our lives is wielded directly. It may be instructive, then, to examine into one of the prominent indirect ways government wields power. ⊕

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Next: *20. The United States: Business as an Instrument of Political Power.*

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Willie E. Nelms

# Ideas that Serve

ALEXANDER TURNEY STEWART

ONE FEATURE of the free market which is seldom completely appreciated is the close relationship between innovation and the meeting of consumers' needs. In a market environment, the entrepreneur must be both a man of ideas, who has vision to foresee ways of producing goods and services more effectively, and a man of action, who can implement these ideas.

Many people believe that consumers are at the mercy of producers, who have a captive audience to buy whatever they offer. Individuals sharing this view do not realize that the businessman's innovations must cater to the desires of consumers, or he will not prosper.

The market encourages innovation, yet it rewards only those who meet the demands of consumers. When the entrepreneur loses the creative spark or when he ignores the wishes of his customers, he risks his business life. Where entry in the market is free, there will always be competitors willing to move ahead and provide for demands.

An excellent case study of this principle is the business empire built by Alexander Turney Stewart during the comparatively free market of nineteenth-century America. Today, Stewart's name is unknown, but in the early and mid-1800s, he pioneered the development of what became the department store.

Stewart was born in 1803, in County Antrim, in the north of Ireland. When his father died soon after his birth, young Alexander

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was placed in the care of his maternal grandfather. A bright, intelligent youth, he was at first pledged to the ministry.

While still in his teens, Stewart visited New York and soon decided to enter the business world. Although he had no experience as a merchant, he was captivated by the hustle and bustle of the New York business world. Deciding to import and sell Irish lace, he opened his first store in the summer of 1823. The shop was on Broadway and consisted of a twelve-by-thirty-foot room filled with the wares he planned to sell.

From the beginning, Stewart demonstrated the creative genius and hard work that would prove to be his trademarks. He opened his store early and closed it late, he cultivated personal politeness toward customers, and he carried quality merchandise.[1] His canniness in business encouraged him to open another store. When he outgrew it, still a larger building was acquired, so that by 1850, he had the largest retail business in the city.

### "Ten Per Cent and No Lies"

Stewart's success and the growth of his concerns were a direct result of his hard work and innovative efforts. In a day when most merchants believed in marking up prices very high on each item, Stewart undersold his competitors and reaped the benefits of selling large quantities at a small margin of profit.

His slogan of "ten per cent and no lies" shows the connection between his mark-up on merchandise and the manner in which he insisted his products be represented to the public. He abhorred misrepresentation to customers and insisted that his salesmen not make false claims for the material they sold.[2] This practice was counter to the conventional business wisdom of the day, but it won Stewart a reputation for honesty and reliability which he converted into new sales.

Another feature of Stewart's business was the establishment of uniform pricing. Most of his competition arrived at prices for merchandise by haggling with customers. To simplify his operations, he established uniform prices, which applied to all customers. The success of this policy was huge, and eventually his competitors were forced to follow suit.[3]

The variety of material and services provided in Stewart's store also added to his sales. His innovation of a single complete building, where shoppers were free to roam at will and view the merchandise, greatly simplified business. The atmosphere was pleasant and convenient. In addition to a wider variety of merchandise than was available elsewhere, Stewart's offered several fringe benefits. These included writ-

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ing desks for customers, a library, a delivery service, and toilet facilities for women. In the mid-1800s, even the latter convenience was considered innovative in the retail trade.

### Customer Services

Another important feature of the store was the unrestricted right of customers to enter, inspect and decide on purchases without interference by company personnel. Today such action is taken for granted, but at the time, patrons of retail establishments were seldom left unattended to select material.[4]

Very early in his career, Stewart adopted the practice of allowing merchandise returns for exchange or cash refunds. In general this was not an accepted practice of the period. Most merchants viewed each sale as final. Stewart's policy allowed for many satisfied customers to remain in that category by being allowed to return unwanted items.[5]

Sales were another feature of the Stewart business enterprise. He held a variety of them, ranging from fire sales to remnant sales. Needless to say, these brought great benefit to his many patrons and equal discomfort to his competitors, who did not follow suit.[6]

The success of the Stewart enterprise is considerable, even by today's inflated standards. His business grew to the point that by the 1860s he had 2,000 people employed in his enterprises. By 1865, his total retail sales were $8,000,000 per year. This grew to more than $12,000,000 by 1873. By comparision, R. H. Macy's store did not reach $1,000,000 annual volume until 1870, and it was not until 1896 that John Wanamaker became the second American drygoods merchant to sell $10,000,000 worth of retail items in a single year.

### Unworthy Successors

Other examples of Stewart's business success can be seen from the records showing that 10 per cent of all imports at the Port of New York during the 1860s came to him. He was the greatest single taxpayer in the United States, and he owned more real estate than anyone in New York, except the Astors.[7]

At his death in 1876, the Stewart estate was said to be worth $60,000,000, which included numerous factories in Europe. The Stewart empire was built on hard work and innovative thinking which met the demands of consumers. Unfortunately, the executor of his estate, Henry Hilton, did not demonstrate the same characteristics. Hilton failed to keep pace with the business trends of the time and allowed personal prejudice to affect his decisions.

An example was Hilton's closing of the Grand Union Hotel in Saratoga, New York to Jews. This

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action, taken just two months after Stewart's death, resulted in much bad publicity for the business. In addition, over a hundred prominent merchants withdrew their wholesale trade from the Stewart drygoods store.[8]

Where Stewart was able to stay one step ahead of his competitors and correctly anticipate customers' demands, Hilton was able to do neither. Through mismanagement and a lack of response to customers' needs, Hilton reduced the Stewart estate to a shambles. The large retail store was sold and the fortune dissipated in less than twenty-five years.[9]

The story of the Stewart empire illustrates how creative genius and hard work in the free market environment can lead to success and benefit both consumers and merchants. Stewart's enterprise was a model of retailing in its time. But the Stewart story also illustrates how the market treats lack of creativity and a failure to accurately meet consumers' needs. Stewart's successor showed neither the willingness nor the ability to meet the competition of the department store movement. As a result, Stewart's business empire is unknown today.

This case should serve as an example to anyone who charges that entrepreneurs in a free market need not worry about meeting the desires of customers. It illustrates the rewards that can occur when ingenuity is combined with hard work, and the problems that result when these two assets are missing. ⊕

## —FOOTNOTES—

[1]"Alexander Turney Stewart" in *Dictionary of American Biography,* Edited by Dumas Malone, Volume IX, part 2 (New York, 1958), pp. 3-4; Edwin P. Hoyt, *The Idea Men* (New York, 1966), pp. 20-24.

[2]"Alexander T. Stewart," *Fortune* (January, 1975), p. 70; Harry E. Resseguie, "Alexander Turney Stewart and the Development of the Department Store, 1823-1876," *Business History Review,* Vol. 39 (Autumn, 1965), pp. 307-309.

[3]"Alexander T. Stewart," *Fortune,* p. 70; Resseguie, "Alexander Turney Stewart," pp. 309-310.

[4]*Ibid.*, pp. 310-312, 321.

[5]*Ibid.*, pp. 311-312.

[6]Hoyt, *The Idea Men,* pp. 30-31.

[7]*Ibid.*, p. 45.

[8]*Ibid.*, pp. 46-47.

[9]*Ibid.*, pp. 48-49.

IDEAS ON LIBERTY

**Isaac Newton**

IF I have ever made any valuable discoveries, it has been owing more to patient attention than to any other talent.

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Robert E. Hood

# THE LAW ALSO IS POLLUTED

SOMEONE once suggested that the ultimate test of character would be to ask yourself what crimes, if any, you would commit if you could be absolutely certain that you would not be caught or even suspected. Obviously there are many people who, assured of such immunity, would take advantage of the situation—people who would otherwise be law-abiding citizens. A few might choose to harm or even kill someone they particularly dislike. Some would perhaps destroy the property of another. There are many who would be inclined to steal an enormous sum of money in order to insure a comfortable or even luxurious life style. Some might limit their greed to stealing one particular item or art object they have always coveted.

*Mr. Hood is a businessman in Meredith, New Hampshire.*

The possibilities are infinite but one thing is shared in common by all who would succumb to this gift of legal license by either stealing or otherwise infringing on the rights of someone else. They generally stay within the law not because they live by a rational moral code but simply because they are deterred from crime by fear of apprehension and punishment. They are the amoral pragmatists among us and their number is legion.

Obviously, the reality of the situation makes it unlikely that anyone would ever really be confronted with this test of character. It is nonetheless intriguing to speculate on this hypothetical opportunity to commit a crime and get away with it, each of us calling upon his values and moral code in arriving at a decision. The first time I considered it I quickly concluded that I was guided by moral values and



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respect for the rights of others; therefore, detection and punishment were not the primary deterrent for me. Later it occurred to me that I was not being asked if I would infringe on the rights of another. The question is: What "crimes" would I commit?

A crime is: "An act or omission forbidden by law and punishable upon conviction." Hence, there is not a single human action or thought which could not conceivably be a "crime." The most moral of human activity has only to be declared illegal by either a legislative body or a dictator and we have the potential for more crime. Therefore, crime becomes relative to the time and place in which we find ourselves. Had I lived as a serf in feudal Europe, there were probably a great many "crimes" I would have committed if assured immunity. Had I the misfortune to be born in contemporary Russia or any one of the many dictatorships, I would surely be a "criminal" under such a system, especially if I were certain I could get away with it.

### Two Kinds of Law

We find ourselves today in a constitutional republic. Ours is a government by law rather than by dictatorial whim. There was a time when ours was largely a government by moral law and therein lies the perplexing situation which must be considered when applying our test of character today. I expect that there are literally hundreds of laws which I would prefer breaking if guaranteed immunity, "crimes" no one of which infringes on a single right of a single other individual.

If I decided to alter or build an addition to my home, I might proceed without so much as a by-your-leave from the local planning board, zoning board, building inspector, electrical inspector, plumbing inspector, or other official. In fact, I probably wouldn't even refer to local building codes and such. If I made my living in one of the many licensed trades or professions, I would probably choose not to renew a license which has little if any bearing on my professional ability.

If I were an employer I might choose to hire someone for less than the minimum wage if the prospective employee were agreeable. Or, I might even allow an employee to work hours in excess of labor law standards. I probably would have a great deal more time to devote to constructive and creative efforts than my competitors because I might devote no time at all to bureaucratic paper work. I might even hire a 17-year-old high school student to mow the lawn with a power mower or clear the parking lot with a snow blower, in flagrant violation of a law that frequently is overlooked.

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If I were in the trucking business I would on occasion consider transporting goods beyond the borders restricted to me by state and federal franchise limitations and I might even try to snatch a little business from my competitors by offering lower prices and better service.

If I were a farmer in one of the many restricted areas of agriculture, I might plant whatever I wanted on as many acres as I could plow, sow, maintain, and reap, and I would sell the harvest for the best price I could get. All of this with unconscionable disregard for laws intended to "protect the public interest" but which in reality prevent my serving the public.

### The Tax Dilemma

There are many taxes which I would certainly prefer not to pay, my premise being that property earned by honest effort cannot rightfully be expropriated by government however lofty the intended use. I must admit that I pay my taxes only because I fear the consequences of not doing so. I am not in the least motivated by a philanthropic love of Washington.

Thus, as moral individuals, if we are to test our character by this hypothesis in today's society we inevitably are confronted with a significant dilemma. If we are to preserve our semi-free system in the hope that right ultimately will prevail, then we must uphold the law. It is not our option as individuals to pick and choose the law which suits us, although we do obey many of them only through intimidation rather than in conformity to our personal moral code. That we are forced to obey many laws which, in fact, violate moral law may lead to the root of our dilemma: the pollution of our law.

There is moral law, the purpose of which is to protect the life, liberty, and property of every individual with complete equality. And there is immoral law which seeks only to expropriate the rights and property of some for the supposed benefit of others. One is no less "the law" than the other but clearly there is an enormous difference in their treatment of the rights of individuals. One secures these rights; the other expropriates them. One is justice; the other injustice.

Moral law (justice) is simply the codification of the natural right of self-defense—the right of each individual to protect his own life, liberty, and property. "It is the substitution of a common force (government) for individual forces," according to Frederic Bastiat. "And this common force is to do only what the individual forces have a natural and lawful right to do: to protect persons, liberties, and properties; to maintain the right of each, and to cause justice to reign over us all."

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Bastiat applied this simple test to distinguish one type of law from the other: "See if the law takes from some persons what belongs to them, and gives it to other persons to whom it does not belong. See if the law benefits one citizen at the expense of another by doing what the citizen himself cannot do without committing a crime. . . . If such a law is not abolished immediately, it will spread, multiply, and develop into a system." Prophetic words from well over a century ago, for we surely have developed such a system.

### Justice or Plunder?

The vast majority of people make no attempt to distinguish between justice and injustice within the law. It is a vast gray area of an obscure process whereby the severest injustice acquires an aura of respect simply by its enactment into law. We are all, including the most undiscerning among us, the victims of this pollution of our law. When the law ceases to be an instrument of justice it inevitably becomes less respected. It should come as no surprise that the laws of the United States are held in such low esteem today; not just immoral law, but all law, since most persons fail to differentiate.

Bastiat warned us that, "It is impossible to introduce into society a greater change and a greater evil than this: the conversion of the law into an instrument of plunder. What are the consequences of such a perversion? . . . it erases from everyone's conscience the distinction between justice and injustice. No society can exist unless the laws are respected to a certain degree. The safest way to make laws respected is to make them respectable. When law and morality contradict each other, the citizen has the cruel alternative of either losing his moral sense or losing his respect for the law."

To respect the law today is to subjugate moral values to the irrational whims of legislative bodies. To respect our natural right to life, liberty and property and to live by that moral standard is to disrespect contemporary law. This poses a difficult, if not impossible, choice—a "cruel alternative," as Bastiat phrased it. But choose, we must. We can pursue our present course of law pollution with the result that we ultimately will be forced to pick and choose the laws we will obey; the course which inevitably leads to anarchy and dictatorship. Or, we could begin to devote as much effort and energy to cleaning up the law as we have devoted to cleaning our rivers and air. We could re-establish a government of morally pure law with the result that the law would be upheld largely by moral conviction rather than at the point of a gun. ⊕

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# A MIDDLE WAY?

JEAN-FRANCOIS REVEL, one of France's sharpest critics of Communism, including "Euro-Communism," thinks of himself as a democratic socialist. In a tantalizing book, *The Totalitarian Temptation,* he opposes what he calls the "unofficial Stalinists" and the "pidgin Marxists" from a middle ground of "pluralist democracy" without ever quite realizing the connection between the property right and pluralism. He is willing to take capitalism in preference to the collectivist state, and he is not cowed when Communists call him "reactionary," but in fighting the "excesses" that crop up in the average socialist's critique of capitalism he betrays a yearning for something that he is unable to put into words. The best he can do is to say that "socialism," by which he means some undefined ideal thing, "can only take root in capitalism and develop by outgrowing—not destroying—capitalist civilization, while preserving its two cornerstones: the capacity to produce, and political, individual and cultural freedoms."

**The Totalitarian Temptation** by Jean-Francois Revel. Published by Doubleday & Co., 245 Park Avenue, New York, N.Y. 10017, $8.95

Such a sentence I find very puzzling. Isn't Revel trying to tell us that he is a voluntarist who wants to build a cooperative world on a base



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of private property and free association? The word "socialism," with the connotations it has gathered, hardly covers Revel's desire.

Oddly enough, Revel's "socialism" seems to be very much the French equivalent of the "neo-conservatism" that Irving Kristol accepts in his witty *Two Cheers for Capitalism*. Unlike his French brother, Kristol disdains to use the word "socialism," saying that the socialist doctrine is dead but as yet unburied. But he is still a socialist in the Revel sense when he puts in a plug for a "conservative welfare state." The idea of a welfare state, he says, "is in itself perfectly consistent with a conservative political philosophy—as Bismarck knew a hundred years ago."

**Two Cheers for Capitalism**
by Irving Kristol. Published by Basic Books, 10 E. 53rd Street, New York, N.Y. 10022, $10.00

Bringing Bismarck, the Prussian junker who prepared the soil for Hitler, into the picture I find just as confusing as Revel's attempt to root "socialism" in capitalism. The terms of the argument get unbearably fuzzy. Actually, Kristol is not for a welfare state; he is for a welfare society, which is something quite different. He is willing to let the state define the uses to which people shall put their own money during a sort of Fabianism-in-reverse transition to a cooperative world built on a base of private property and free association. This is a tactical compromise, not a philosophy of the "conservative welfare state" as such.

### Fabianism in Reverse

I feel a certain kinship with both Revel and Kristol, for I have personally been through the evolution that they have, in my judgment, only half-completed. To have a pluralist society using democratic methods of government, there must be the property base. It's a matter of physics, as Isabel Paterson explained long ago. The free man must have something to stand on. He can't have free speech unless he can own his own sources of woodpulp and his own printing press. (If he wants to make that free speech oral, he must be able to hire his own hall in the market place.) If the state has the power to conscript one's income, thus preventing the acquisition of private property, the possibility of pluralism and democracy tends to disappear as the government pushes its power toward the totalitarian extreme.

Yet, in deference to Irving Kristol, we must acknowledge the tactical necessity of getting from "here to there" in a Fabianism-in-reverse movement back to the voluntary so-

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ciety. Kristol is full of ingenious suggestions: he wants to move away from state social security and state medicine by letting individuals take their voluntary insurance payments to pension funds and Blue Cross and Blue Shield schemes as wholly tax-deductible items. He wants to see the Republican Party build itself anew on a program of offering "incentives for the citizen to provide for his own welfare."

### No Sense of Direction

The difficulty of working from the Kristol—or the Revel—position is that, when one becomes engaged in the game of Fabian compromise, it becomes increasingly hard to keep one's sense of direction. To get a compromise in a libertarian, voluntaristic direction, you need some muscularity and conviction in your preference for, say, private education versus the public school. There must be a determined opposition in society to the idea of state support of education in order to provide the leverage to fight for even the mildest Fabianism-in-reverse voucher system for parents who might prefer private schools. The question comes down to the polarities of pluralism. Where, and on what, do you take your stand?

Polarities are created in society before they send their representatives to the legislature. Mr. Kristol sees this point at times. He attacks what he calls the "new class" for its greed for controlling the levers of power that are operated from a political base in Washington. The "new class" sets itself up as an elite with a mystical call to use the common man's tax money—and the inflationary paper dollar—to set the standards for society. With its support in the media, the new class has no compunctions about using compulsion to get its way. It wants no part of pluralism.

Kristol supports some regulation, but in his evolution to "neo-conservatism" he is having second thoughts about putting fetters on individuals and private organizations. He is worried about the bureaucratization of society that results from "new class" management of the people's tax money. The welfare state, he says, is on a collision course with a working class psychology which, while not rejecting any of the benefits of welfarism, feels victimized by it. It turns out that it isn't much fun to be managed by the elite "new class" sons and daughters of the old middle class.

### An Ugly Battle over the Question of Power

In his progress from a quasi-socialism to neo-conservatism, Kristol has discovered "a dirty little secret." The new elite talks about the "redistribution of income." But it wants the income to be handed over

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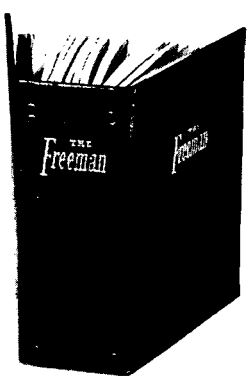
to the state, with the elite assuming the prerogatives of dishing it out. The battle is over the question of power. It is an ugly battle.

So Mr. Kristol has become a tax rebel. He would force the rich to bequeath their money to heirs in small amounts, but for the living he advocates letting them keep their money. He still chides capitalists for not "thinking politically." But in his own mind he considers the world has become too politicized. He ends as he begins, by giving "two cheers" for capitalism on the grounds that the alternatives to it supported by the new elites range from the "hideous" to the "merely squalid." Communism, socialism and fascism have all turned out to be illusions or frauds. So let us have a political order that allows men and women a private life, using their energies as they themselves may choose. ⊕

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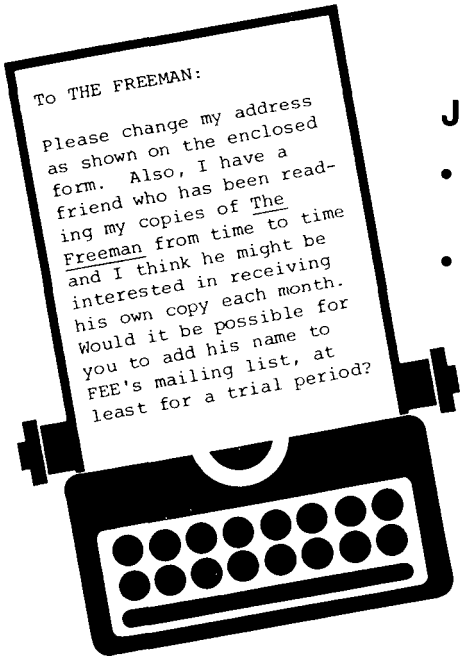
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